# FINANCIAL TIMES

Europe's Business Newspaper

#### US agrees next stage of Concorde replacement

The US National Aeronautics and Space Administration will start work next year on the air frame, propulsion and systems technologies of a 300 sear supersonic airliner to replace the Anglo-French Concorde. This second phase of the project is expected to last seven years and to cost \$1.2bn. Page 14

Ten die in US tourist coach crash



Ten people were killed and 36 injured, two of them seriously, when a coach (above) carrying 44 American tourists on a day trip to Canterhury in south-east England skidded off a motorway and plunged down an embankment

Moderate US inflation rate: The underlying rate of US inflation remained moderate despite a 0.4 per cent gain in consumer prices last month, the Labour Department said. The year-on-year ate of inflation rose to 2.8 per cent. Page 4

VW loss cut: Group net profits of DM70m (\$43.2m) in the third quarter helped Volkswagen reduce losses for the first nine months of this year to

News Corporation, media, film and publishing group, reported a 21.4 per cent increase in thirdquarter after-tax profits to A\$262.3m (US\$175m). Associated companies, including satellite broadcaster BSkyB, were largely responsible. Page 15; Lex, Page 14

Gore scores on Nafta: Vice-President Al Gore was judged the clear winner in Tuesday night's dehate with Ross Perot on the North American Free Trade Agreement ahead of next week's crucial House of Representatives vote on the issue. Page 5; No such thing as a free treaty,

Diabetes success: A drug produced hy Bristol Myers Squibb, US drug company, has ins from diabetes by 50 per cent Page 15; Medicines sales down, Page 5

US-UK link-up to fight fraud: The US and Britain signed an unprecedented agreement estab-lishing a US-UK police team to investigate fraud and financial crime in Britain's five dependent territories In the Caribbean. Page 7

London SE boss: Michael Lawrence, finance director of the Prudential Corporation, higgest UK insurer, is expected to be named chief executive of the London Stock Exchange today, Page 7

AT&T favoured over BT: Corporate customers of British Telecommunications believe AT&T, US telecommunications giant, would give a better all-round service than BT in the UK, according to an industry survey. Page 8

European jobiessness to rise: Unemployment in the European Union will continue to rise until mid-1995, with more than 18m people expected to be out of work in the next two years, the European Commission forecast. Page 2

Eight Russian groups barred: The Russian election commission disqualified eight of the 21 political groups which had sought to register for parliamentary elections on December 12, because they did not gather the required 100,000 signatures. Page 3; Russia's future may be another

'Prime sites' for Nigerian ministers: Nigerian government ministers and senior army officers have been allocated prime building sites on land in Lagos, according to evidence filed in the High Court. Page 6

US tax penalty for Nissan: The Japanese carmaker has paid nearly Y17bn (\$160.4m) in penalty taxes to the US internal Revenue Service, after a ruling it avoided US taxes by transferring income from the US to Japan. Page 6

Construction chief held: Francesco Caltagirone, chairman of the Caltagirone CALLMI group, one of Italy's largest cement and construction groups, was arrested in counection with the country's corruption investigations.

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# Euro Disney shares plunge as \$930m loss is announced

By John Ridding in Paris and Martin Dickson in New York

EURO DISNEY, the European leisure group controlled by Walt Disney of the US, yesterday announced a net loss of FF75.3bn (\$930m) for the year to September 30, prompting a sharp fall in the company's shares on interna-tional ctock markets. tional stock markets.

The losses were higher than expected, and included a write-off of FFr3.6bn for pre-opening costs at the Euro Disneyland theme park in the eastern outskirts of Paris, and for planned redundan-

The exceptional charges represented a serious blow to the company's capital hase, reducing shareholders' equity to just FFr1.5bn compared with FFr7bn at the end of September last year, using French accounting stan-

Euro Disney said it had written off all of its pre-opening costs. including marketing and training expenses, to improve its future

Worse-than-expected results increase pressure on parent company for capital restructuring to rescue leisure group results. But the scale of the losses increased the urgency of capital restructuring at the group

and put pressure on Walt Disney

to heip rescue the European leisure company.

Mr Philippe Bourguignon, Euro
Disney's chairman, said the company would require significant funding throughout the current financial year. He said negotiations were underway with its banks and Walt Disney and that he hoped to complete a restruct-

uring plan soon.
Industry observers said the fate
of Euro Disney largely rested in
the hands of Walt Disney. "It is make-your-mind-up

time", said one analyst. He said the US group faced a difficult choice between serving the interests of its own shareholders and suffering the damage

PAGE 15 White-knuckle ride for

Page 17

fantasyland investors

to its image that would result from a closure of Euro Disney-

Walt Disney, which holds 49 per cent of the shares in the Euro Disney, said it would provide finance for Euro Disney for a limited period to enable it to achieve a financial restructuring by

Euro Disney's shares fell sharply in London and Paris. In London, shares fell by 72p to 436p following the results announcein Paris, shares in the company were temporarily suspended and fell by FFr5.7 to FFr38. The bulk of its losses for the

year to September 30 reflected the exceptional charges relating to pre-opening costs and provisions for a planned reduction in staff from 11,100 to just over

The net loss before exceptional items was FFri.7bn, which was achieved on revenues of FFr5.7bn.

Despite the grim results, Mr Bourguignon said Euro Disney was Europe's most popular leisure destination, attracting 17m visitors in its first 18 months of operation.

in view of the uncertainty surrounding Euro Disney, Walt Disney yesterday took a \$350m (£231.7m) charge against fourth quarter earnings to establish full reserves for the temporary funding and for receivables due from

the French associate. Walt Disney said the charge divided roughly evenly between temporary funding and receiv-

Walt Disney's charge, together with its share of Euro Disney's operating losses, meant the US company recorded a total \$414.5m loss from the European venture in the quarter and \$514.7m in the

That in turn pushed Walt Disney into a fourth quarter net loss of \$77.8m, compared with net income of \$223.7m in the same period of last year.

Walt Disney's shares dipped \$1/2 in heavy trading on the New York Stock Exchange, to stand at \$40% at lunchtime.

#### Plans for **EC** steel cuts in new deadlock

By Andrew Hill in Brussels

THE Italian and German governments' reluctance to agree production and subsidy cuts at state-owned steel mills risks plunging the European steel industry even deeper into crisis, the European Commission warned yesterday.

Mr Karel Van Miert, competition commissioner, yesterday indicated that If Rome and Bonn remained Intransigent they could derail the Commission's pians to help the entire west European steel industry.

Mr Paolo Savona, the Italian industry minister, has raised the stakes in the long and franght negotiations with Brussels, hy threatening to press ahead with plans for privatising liva, the state steelmaker, without Commission approval. He lold the Italian parliament on Tuesday that he would fight the Commission's strict limits on subsidies as far as the European Court of Justice, if necessary,

The new impasse makes it almost certain that industry ministers will have to delay for-mal agreement on a series of controversial restructuring plans for Spanish, east German and Italian state-owned steel producers at their meeting next Thurs-

Mr Van Miert said yesterday: Those who want lo make this [plan] impossible are going to have to justify themselves to the industry, which will suffer if the

Commission's approach fails." Private steelmakers, which have already undergone substanas British Steel or Usinor-Sacilor in France, will not make further capacity cuts nnless they are reassured thal state aid lo their publicly owned competitors is under strict control.

Western Europe's steelmakers have already warned that as many as 100,000 jobs could be lost in the restructuring of the industry, which is suffering from overcapacity, lack of demand and cheap competition from beyond the European Union's

Mr Van Miert reserved his principal criticism yesterday for the Italians, who seemed close to striking a deal with Brussels a

Continued on Page 14

#### Britain fears that time is running out for agreement with China over Hong Kong Major wants to speed up talks on Patten plan By Alexander Nicoll and Kevin ness conference un Hong Kong: Brown in London and Simon Time is now very short. I do not believe, and nor does the governor, that an agreement is worth THE BRITISH government any price although we will do our yesterday gave strong support to best to get one." the efforts of Mr Chris Patten, The prime minister said he Hong Kong's governor, to hroaden democracy in the colony recognised that "some in the husiness community would preand asked China to accelerate fer that we did not have this argument," But he said it was negotiations on his proposals. unavoidable. "The point at issue Mr Douglas Hurd, foreign secretary, said after a cabinet comis a vital one. We owe it to the mittee meeting chaired by Mr people of Hong Kong to hold elec-John Major, the prime minister, tions which give them a genuine that London had proposed "that we move into a more intensive Mr Hurd said: "It is weeks phase (of talks) straight away to rather than months in which we try to reach agreement on the

Talking about the talks: Hong Kong governor Chris Patten (left) with foreign secretary Douglas Hurd

have to reach a conclusion." He said quick agreement on uncontroversial matters would enable the legislative work to begin in Hong Kong.
Officials said this would provide more time for further talks on the main issues, though they

cautioned that an agreement would still be needed by the end Hong Kong. in 1997.

of the year to permit elections. The issues most in dispute are expansion of "functional constituencies" from which husiness

elect 10 legislators; and the "through train" - retention of office by all 60 legislators elected in 1995 until 1999, two years after China assumes sovereignty, over

China indicated privately last week that it may be prepared to settle on the smaller issues. Brit

Continued on Page 14

would not allow negotiations to continue indefinitely. groups will elect 30 legislators; Mr Major told a London busi- an election committee which will

### Paramount pays \$553m for US publisher Macmillan

outstanding issues."

Britain wants to reach agree-

ment quickly on uncontroversial

aspects of elections in Hong Kong

next year and in 1995, so that

negotiations can focus on the

issues most in dispute with Bei-

However, after 15 rounds of

talks over six months in which

there has been little progress, ministers indicated that they

MACMILLAN, the largest US husiness in the empire of the late Mr Robert Maxwell, was sold yesterday to Paramount Communications which outbid rivals with an offer of \$552.75m.

Paramount owns publishing imprints such as Simon & Schuster and Prentice Hall. Its unsuccessful rivals in the final round of bidding are believed to be Harcourt Brace Jovanovich, the US educational publishers, K-111, the US magazine company, and Pearson, the UK publishing and information group that owns the Financial Times.

The sale agreement takes the gross total raised by administrators Price Waterhouse from the sale of Maxwell Communication Corporation's US interests beyond \$1.5bn. Mr Mark Homan of Price Waterhouse said he believed the net figure would fall within the predicted range of \$700m-\$1.1hn.

"We are looking pretty good on that," Mr Homan said. He added that he believed the main Max-well disposals in the US could be wrapped up hy the end of the

Offers are now being received for the last significant US business, Standard Rate and Data, the specialist advertising industry publication. The purchase of Macmillan will considerably strengthen the pub-

lishing interests of Paramount, itself in \$10bn merger talks with Viacom, the US cable and television company. Mr Martin Davis, chairman and chief executive of Paramount Communications, said yesterday the transaction was "a significant step in furthering our strategic objective of creating proprietary intellectual properties that can be distributed through a wide variety of media, from printed

pages to computer and video

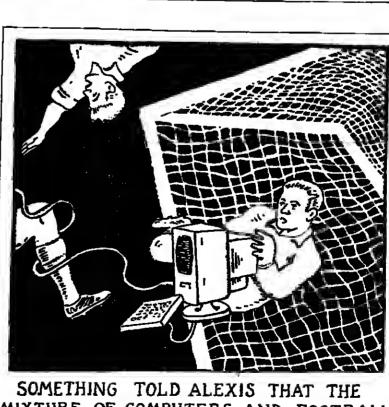
sation plan was yesterday filed under Chapter 11 in the US Bank-ruptcy Court. Price Waterhouse said that this was a technical step needed "to remove the uncertainty created by Robert Maxwell's involvement with Macmillan Inc".

During a transition period expected to last about three months, Mr Jonathan Newcomb, president and chief operating officer, and Mr Andrew Evans, chief finance officer of Paramount Publishing, will work with the Macmillan management on combining the two companies. Mr Richard Snyder, chairman

of Paramount Puhlishing, said the two businesses were complementary and "significant savings" were expected from integration.

Macmillan's backlist of anthors includes Hemingway and Faulk-ner and its publishing interests range from college and reference to children's books and general fiction.

As part of the sale, a reorgani-CONTENTS



MIXTURE OF COMPUTERS AND FOOTBALL WAS GOING TO BE A HEADY BREW

The FIFA World Cup is the world's largest single-sport event. In 1990, one billion people watched. World Cup 94 promises to be bigget than ever, More matches, more teams, more spectators - and more problems to solve.

Sun Microsystems is the official supplier of computer technology to the World Cup. bringing our client/server computing to meet the challenge to this vast event. Could it work for you? Call us on 0276 675252 and ask for our information pack, which also includes a set of Glen Baxter prints from this seties of advertising.



etary stringency. ever, the SLD's trade component, which up around a third of the centary party, could proe focus for a left-wing tive to the party's free teers, such as Mr ski and Mr Wieslaw trek, the new privatisanister who promises to le to whittle away at the

et new PM

rural voters who supthe PSL, and those in

the SLD, are looking

igible, and rapid, eco-improvements. Ele-

in both parties are will-

ake risks with inflation moves, as Mr Marek ki, the SLD politician in

of the economy, knows ll, would risk a worsen-

relations with the IMF.

1 turn, could jeopardise erately needed 20 per

ut in the country's

deht to western govern-

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ear. The fact that the

Bank remains Poland's

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rcial hanks owed

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net

arly, in the PSL, ambioliticians jealous of Mr 's meteoric rise promise s their party's demands cies favouring farmers. politicians at the top of and the SLD - includleader, the politically 1 Mr Alexander Kwasi, who has stayed out of vernment - appear to the sophistication to m a common front and internal rivalries from ining the new govern-lowever, the social presthe government faces difficult to contain, as ontinue to yearn for the . improvement in their rd of living that the ow of the communist in 1989 promised, but

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

THE German taxman's worst fears of tax evasion appear to have been confirmed: instead of getting DM24bn (\$14.8bn) this year from a controversial new tax on investment income, the likely receipts are expected to be less than half, around

The figures have emerged in the latest tax estimate published by a special working group of finance officials. They show a new drop in overall public sector revenues this year of DM3.7bn and next year

As a result, the federal government's budget deficit is expected to reach DM73bn-74bn this year and DM75bn-76bn in

While the most important element in the overall shortfall is the slowdown in the German economy and the steady decline in interest rates, tax evasion is also thought to have played a significant role. In particular, officials believe

re has been a big rise in the

transfer of investment income from German bank accounts to foreign accounts, above all in neighbouring Luxembourg, where bankers don't tell tales. Opposition politicians called yesterday for tighter banking

MR HANS van den Broek, the

European commissioner

responsible for external politi-

cal affairs, yesterday dropped

his resignation threats and

agreed to a truce in his long-

running power struggle with

Sir Leon Brittan, the Commis-

sion's chief trade negotiator,

mer Dutch foreign minister, was on the brink of quitting

until a last-minute compromise

brokered by Mr Jacques

Delors, the Commission presi-

dent. Under the deal, Mr van

den Broek will take over man-

Mr van den Broek, the for-

writes Lionel Barber.

A new financial package to build Germany's first magnetic hovertrain, known as the Transrapid, and costing an estimated DM9bn (\$5.5bn), will be presented to the German government in early December, writes Quentin Peel. A spokesman for the indus-

trial consortium backing the plan for the 400kph (250mph) "whispering arrow" train said the package would seek to raise the proportion of private finance for the project, in the light of the German govern-ment's current budget stringency.

loopbole in the taxation of investment income, which has taken the form, since last Jan-uary 1, of tax withholding on interest income paid into German bank accounts. A red-faced Finance Ministry

in Bonn confirmed the tax esti-mates for investment taxation yesterday, but insisted that the net effects of the miscalculation were not as bad as they might appear. A spokesman explained that the original estimste of s gross income of almost DM24bn was based on the assumption that some DM17bn was already paid on investment income in the form of income and corporate taxa-

'Hans van den Brittan'

ends the Brussels feud

agement responsibility for the European Union's overseas del-

egations and will have a share

in appointing Brussels civil

servants to the 110 offices

Mr Delors is said to be upset

by the bickering between Sir

Leon and Mr van den Broek

who are both political heavy-

Other commissioners have

found the feuding a source of

amusement - one insider's

joke is that the only satisfac-

tory way to separate the for-eign affairs portfolio is to cre-ate a new commissioner called

A further DM4hm had to be deducted because of the high tax thresholds introduced, precisely in order to discourage the ordinary income earner from switching his money to offshore bank accounts. Thus tha final net income assumed in the Finance Ministry model was only DM3bn.

The spokesman said that the real miscalculation appeared to be the figure of DM17bn as the assumed amount of investment income tax paid under the old regulations, before the new tax was introduced. That figure was now certain to be much less. He estimated that the net loss to the exchequer would be between DM2bn and DM4bn. Whatever happens, Mr Theo Waigel, the finance minister, is left looking fairly foolish, at a time when he is desperately trying to keep his overall budget deficit under control. He admitted that his net bor

rowing requirement would increase, according to the lat-est figures, but insisted that the government's savings plans remained on course. Finance Ministry officials say there are no plans to make greater cuts in the budget. "We consider the increased borrowing requirement justified because of the recession," one

"Mr Hans van den Brittan"

However, the Dutchman has

failed in his wider gambit to

put all overseas staff under the

umbrella of DG1 A, his own

Sir Leon and Mr van den

Brock have been battling over

bilities ever since they took up

their posts 10 months ago. Dur-ing the latest row, Sir Leon.

argued that it would be illogi-

cal to make all overseas per-

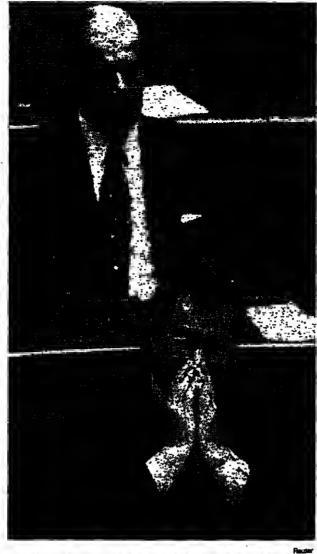
sonnei responsible to Mr van

den Brock since 80 per cent of

the EU's work deals with trade

the division of their respons

Brussels directorate.



German foreign minister Klaus Kinkel (below) and interior

### Pöhl sees jobs crisis as main European task

By David March

"THE REAL issue" facing Europe is the task of reducing micyment, combined with the challenge of opening the west of the continent to the former eastern bloc, Mr Karl Otto Pohl, the former Bundes-bank president, said last night. The objective of the Mass-tricht Treaty for establishing fixed exchange rates and a common monetary policy in Europe was no longer the main priority. "The question of whether the Masstricht Treaty will ever be implemented is

Mr Pohl voiced doubts over whether the anti-inflation consensus espoused by the treaty would prove durable to view of the "tremendous problems'

open, to say the least." But conditions for economic and

monetary union were "much less favourable" than in the

facing Europe.
These included the consequences of German unification, where he pointed to errors over the introduction of the D-Mark into east Germany to 1990 and a wrong mixture of budgetary and monetary poli-cies as contributing to high German interest rates after unity.

officially 35m, was the highest since the great depression of the 1930s. But German unemployment was nearer 5m 5m if hidden joblessness were included. "It's obvious this is the real issue; it's the same problem in Spain or France." German Chancellor Helmut Kohl will deliver a government statement on Europe today in the wake of a controversy triggered by sceptical comments on European union from a key conservative ally,

Renter reports from Bonn. Mr Kohl has so far not reacted directly to remarks by Bavaria's state premier mund Stoiber that his vision of Europe is outdated, and that the goal of a federal Europe. almost holy writ in post-war. German foreign policy, should he ahandoned

But Foreign Minister Klaus Kinkel said in an interview in yesterday Express newspaper that Mr Stolber's comments "did us damage, and not just a little. My colleagues...are worried Germany could be depart ing from the common goals of

# EU jobless total heads for 18m

By Lionel Barber in Brussels

UNEMPLOYMENT in the European Union will continue to rise until mid-1995, with little hope of a rapid or consumer-led recovery, according to the latest economic forecasts by the European Commission published yesterday. More than 18m people are

expected to be out of work in the next two years, amid high interest rates, weak ontput, and only a modest improve-ment in budget deficits, which are at the highest average level

Mr Henning Christophersen. economics commissioner, called for an early reduction in

interest rates, particularly in Germany. "It's not the size or the volume which matters, it's

the speed," he said. The Commission's forecast assumes that Germany will continue to lead the way on interest rate cuts, with countries such as France and Belgium sticking to their policy of shadowing the D-Mark in an effort to maintain exchange rate atability. Overall, it expects short-term rates to drop by 2 percentage points to

an average 6.4 per cent in 1994. But it warns that inflationary pressures could prove more resistant, particularly in Germany. In this case, the assumed monetary easing

could occur later and to a Despite the bleak outlook for jobs and growth, Mr Chris-tophersen said the timetable

for European monetary union by 1997 or 1999 was still realistic. He insisted that countries could still meet the tough budeet deficit targets set down in the Maastricht treaty. Germany is expected to grow

by only 0.5 per cent next year, with all the growth coming from former east Germany, and only by 1.6 per cent in 1995. France, the other economic motor, is likely to stutter along at 1 per cent growth in 1994 and 2.1 per cent in 1995. The UK, which left the

exchange rate mechanism in September 1992, is expected to outperform most, with growth of 25 and 27 per cent expected in the next two years. Ireland and Denmark also figure strongly, with the Irish expected to be the only European country registering more than 3 per cent growth.
The Commission is sticking

to its earlier EU growth forecast of 0.4 per cent and 1.8 per cent in 1993 and 1994 respec-tively, while output is expected to rise by 2.1 per cent in 1995. Unemployment is forecast to rise from 10.6 per cent in 1993 to 11.2 per cent and 11.3 per cent in 1994 and 1995.

Editorial Comment, page 13

#### ADVERTISEMENT

#### INVESTING IN SOUTH AFRICA

#### South Africa is now much more acceptable abroad

Paul Heinamann, managing director of the Price Forbes Group, talks to John Spira, Business Editor of a leading Johannesburg newspaper.

Spirat What are the main areas of Price Forber business?

emammum: The group operates in five broad arenas; PFV Insurance Brokers, which, together with Corporate Risk Management Consultants, strives to offer the most cost-effective and beneficial solutions to risk-related problems. Alexander Furber Consultants & Actuaries, which aims to

provide the highest quality of employee benefit constitutes, actuarial services, administration and limancial planning advice and health care consultancy.

Forbest Reinsurance Broking Services, which provides

report Reinstrated aroung Services, which provides, reinstrated administration, protection and coverage services. Medicaid Administration, which provides medical scheme administration and health care management services. Integrated Risk Consultants (IRC), which specialises in risk financing consultancy and related products, captive consultancy.

financing consultancy and related products, captive consultancy and insurance company management.

IRC recently became a 45 percent standaulter in a new short-term insurance company, Guardrick Insurance Co, which engages in niche-type underwriting and specialist produces.

Price Forbes Group and its subsidiary, PT-V London, recently concluded an important new transaction with the Nelson Hurst Group, a London insurance brokerage. In terms of the arrangement, PT-V London, while remaining a full subsidiary, will in future work in partnership with Nelson Hurst in the London market.

market. In addition, Nelson Hurst UK, the UK retail insurance broking arm of Nelson Hurst Group and Price Fortes Group, is forming a 50/50-owned company (to be named PFV Nelson Hurst) or focus on the corporate insurance broking market in the UK and Europe Simultaneously, Price Fortes Group has acquired an option to buy up to 50 percent of the UK insurance broking company, Nelson Hurst UK.

Hurst UK.

Price Furbes Group employs 3,000 people in 34 offices situated in most or South Africa's principal towns and cities and is active abroad through as associations with foreign companies.

Our clients, which include more than 80 of the country's largest 100 stock exchange-listed companies, extend from industry and commerce through to the agricultural, mining and parastatal sectors and to the unbridged.

sectors and to the individual.
We're South Africa's largest insurance brokers, risk management custodrants and employee benefit consultants.
Group retained brokerage and fees amount to R-00 million, which ranks us antong the larger firms of our type in the world, excluding the mega Alphabet-Binkers.
Price Forbes is a South African company with South African charcholders Our saff owns (3) percent of the equity. No single shatesholder has control — a factor which gives us operating in broad-based.

Spira: How will the removal of sanctions benefit Price Forbes?

Heinamann: There won't be a magical overnight impact, but there will, obviously, be some useful opportunities for us. I see modest investment mittally and a marked benefit in the sphere of

requests investment industry and a manch relief in the space of caports. We are already noting that certain of our clients have suddenly cliented some good export orders. If our chemis grow, we will grow and to that extent there will be a benefit to Price Forbes. Additionally, we that we are now much more acceptable abroad that formerly and that is clearly advantageous.

My alteration was recently drawn to a list of 45 companies that the extended considering investige in South Africa. ony amendon was recently drawn to a list of 45 companies that were seriously considering investing in South Africa.

One of the ways in which they invest will be to acquire existing intrastructures, in which event there won't be any additional business for us. Others will will do so via joint writtens or grass nots operations, in which event we shall have the potential to write additional business.

write additional business.

So the removal of sanctions could help us and, of course, the so the removal of sanatum count heap to and, or courte, as a whole. But we must make the most-of the removal of canctives; we must be more positive about it. South Africans must learn to view their country's outlook with more confidence. I have little time for those who feel that Africa is a dead-end continent.

Spira: Does that mean Price Forbes and other South Africas companies will be doing more business in Africa in the wake of the scrapping of sanctions?

Helnamann: Unquestionably, The removal of sanctions will

mean South Africa will become a member of the Organisation for African Unity, after which we'll be trading more openly with the countries to our north. For the present, there's a measure of besitancy about finally doing

For the present, mere a a measure or nestancy about manify doing business with us.

For example, there's an organisation called the African insurance Organisation, of which most in Africa's insurance companies and insurance brokerages are members. South African companies were recently on the verge of being invited to become members but in iden't happen because the AIO felt we should first become members of the OAU.

Once that hurdle is cleared, we'll do a lot more business in Africa.

Price Republic is already deliver a felt amount of hurdless in Africa.

Once that hurdle is cleared, we'll do a lot more business in Africa. Price Forber is already doing a full amount of business in Africa, though at this stuge it's still a miniscule portion of our total revenues. We're doing work for a university in Nairobi and we're quoting on prospective projects all the time. Bear in mind that it makes a great deal of some for Africa to use South Africa, since we're cost effective for Africa; it's very

South Africa, since we to cost effective for Africa; it is very expensive to pay in dollars or secriting.

One of the problems is the fear that South Africa, whose insurance market is equivelent to 78 percent of the entire African market, will come to dominate the continent. We're just going to have will convince African countries that this is not our intention; that we have a great deal to offer. In the fields of insurance education and training alone, we have much that would benefit Africa.

Spira: Could the same apply to other parts of the world?

Heinampun: I detect increasing signs of interest from the Far East, where certain countries have a greater group of the sort of potential we have than some western countries. They identify more easily with our problems.

Spira: It has been suggested that the reason Price Forbes created an office in London was to lessen your dependence on South Africa. What was the motivation?

Helmmann: It was certainly not to get out of South Africa. We're totally controlled to this country.
The mutivation was to slowly internationalise our business; to

The receivation was to slowly internationalise our business; in give us a base in Europe. Bear in mind that we've grown our business in South Africa — during a period of severe recession — at a time when similar toosinesses in Europe haven't been able to grow.

We're too big a group to be restricted to one country, so from a straight business point of view it's correct that we try to expand elsewhere in the world. We've made our initial effort to the UK and we'll constitute to expand on a very selective busis into other parts of the world with the long term objective of bringing those earnings back to South Africa.

I can say without fear of contradiction that our expertise is at least equal to that found anywhere in the world. Consequently, we can operate in a foreign environment and have the ability to compete globally.

Spira: A year ago you expressed the view that De Klerk and Mandeln had the window to sort nut South Africa's difficulties. Have your experintious been realised?

Heimmann: Yes. There's been the old disappointment, but, generally speaking, they've done an outstanding job, South Africa still needs them to carry the country through the difficult period that lies should. I remain positive that they'll do what's expected of the country through the difficult period that they are the country through the difficult period that they are the country through the difficult period that they are the country through them. The nature won't pan out at 100 percent, but I think we'll achieve a highly satisfactory 90 percent. There's every sign of Mandela being prepared to compromise. He's in a strong position; he can afford to.

Spira: Do you stare the generally-held view that South Africa's economic recession has bottomed out?

Heintamann: An economy that's bottomed out tends in bounce along the bottom for a while. You still get the impact of the along the bottom for a white. You still get the impect of the recession hiting you well into the upturn.

Nevertheless, the statistics indicate that the economy is showing definite signs of turning. I'm pleasantly surprised, note: I would be to thought it would only have turned next year. There are no dramatic changes, but certain solid indicators are evident.



Heightened exports flowing from the evaporation of senctions will also help the economy, perticularly since we've been doing pretty well on the export frost anyway — in difficult times. I might add in short. I envistage a gradual largovernment next year, though from a Price Fortest assembled to we'll still need to run our business tightly — as we've been doing for many years.

Spira: How has Price Forbes coped with the recession?

Helaastenas: We've enjoyed strong growth in our employee benefits business, where we've achieved 29 percent to the first six months of our current financial year. Health and medical aid has been struggling in the highly competitive market. Our short term insurance broking and risk management consultancias consistent to grow and remain a highly competitive market. Our short term insurance broking and risk management consultancias consistent to grow and remain a highly competent part of our business. South Africa has had mearly five years of recession, during which time we've grown steadily. That's quite an achievement. We've continued to widen our range of services and grow our business book, and expand into the UK.
This doesn't nocessarily mean that wo're poleed for mpid growth when the economy emerges from recession, since parts of our business are contra-cyclical. I'm cautious. Wo're certainly not going to be able to rest on our learners.

Spira: What progress have you recorded on your affirmative action progression?

Reissamann: We've made solid progress over a fairly extended period by making our that we have more and more competent black people.

period by making state that we have more and more competent black people.

We're also playing our role in the industry. The Institute of South Africa has started a programme, spenioned by the insurance industry, to train young black people in insurance. The overriding problem is that too many compenies are savingting to find people with energh stells to employ them. We're trying to find people with energh stells to employ them. We're trying to that circuit the process by looking at the problem from an industry point of view. Price Forber had quite a lot to do with this initiative. We're conscious of wint needs to be done and we'll continue this process.

initiative. We're conscious of what needs to be done and we'll continue that process.

Significantly, we hardly nodee the affirmative action, but in fact it is happering all around us. I recently discovered that at our head office account department, a very high percentage of the people there don't have white stiers. One chap has a terminal at his home in Sowets, so when the system happens to crush in the middle of the right, be doesn't have to drive all the way to the office.

We might be found warning at top management level, but I don't think we can solve that by pushing buttons; it's an evolutionary process.

process.

Interestingly, until recently we didn't have statistics on the colour of the people we were employing, simply because it made no difference to us. It was only when people started asking questions that we got the figures angeliner.
White naturally drying to keep our head count as low as possible, our group staff numbers have still grown in the past five years by 037 people, so we've been a creator of jobs in South Africa, even with the prowin in computerisation and technology.



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#### **NEWS IN BRIEF**

### Air France faces a third state aid probe

THE European Commission yesterday opened an inquiry into a FFr1.5bn (\$256.7m) capital injection granted to Air France, on the ounds that it might amount to illegal state aid, writes Andrew Hill. The French government announced in February that it was providing extra capital to the national carrier through a subscription of equity-linked debt from Caisse des Dépôts et Consigna-tions, the state-controlled financial institution.

The Commission said in a statement yesterday that it had "doubts about the normal commercial character of the operation...in the light of the deterioration of Air France's financial position". It is the Commission's third inquiry in two years into alleged state subsidies at Air France. In November 1991, Brussels waved through s FF12bu capital injection and last July approved the FF11.25bu purchase of an 8.8 per cent stake in the company by Banque Nationale de Paris, the state-controlled bank.

#### French free Algerian exiles

France's judicial authorities yesterday released most of the 88 people rounded up by police on Tuesday but kept 13 for questioning including two leaders of the Algerian Fraternity in France (FAF), believed to be a front organisation for the Algerian Islamic

(FAF), believed to be a front organisation for the Algerian islamic Fruit, Reuter reports from Park.

The Interior Ministry said investigators found pro-FIS propaganda, false identity papers and large sums of money, but no weapons in the vast search-and-arrest operation. The government said the dragnet, a response to the abduction last month of three French consular officials in Alglers, aimed to prevent potential acts of violence on its soil. Some commentators said France was laying itself open to terrorist reprisals, both at home and in its former north African territory.

#### Italian bribes case warrants Naples magistrates investigating bribes to the Italian pharmaceu-

tical industry yesterday issued more than 10 arrest warrants for alleged payments made by six drug companies to obtain favours, writes Robert Graham in Rome. The payments were all made to Mr Duilio Poggiolini, the senior health ministry official who controlled drug authorisations and distribution and who is at the centre of one of the biggest

investigations in Italy'e wave of corruption scandals. The latest payments allegedly uncovered came from companies that included the Alfa Wasserman, Glazo and the Recordati group which is quoted on the Milan bourse.

Rome's voting change blocked A controversial proposal to extend full voting rights and special parliamentary representation to Italians living outside Italy has failed to pass through the senate, writes Robert Graham to

The draft law required a two-thirds majority since it involved altering the constitution. But yesterday those to favour of the proposal only mustered 148 votes against the 168 votes necessary. The proposal will now be put on ice for three months, then it will be up to President Oscar Luigi Scalfaro to decide whether to call a national referendum on the issue.

#### Austria optimistic on EU

European Union membership on January 1 1995 for Austria, Finland, Norway and Sweden, is "an ambitious but feasible" target, provided all parties are fully committed to the negotiations, Mr Wolfgang Schüssel, Austria's economy minister, said in Vienna yesterday, writes Patrick Blum to Vienna.

This will require completing EU entry negotiations by March 1, to allow enough time for the European parliament to approve the four countries' membership before European elections due in June. For Austria, keeping to the timetable is especially important because the country must hold a referendum on membership in July at the latest. This is to avoid a clash with the general election scheduled in October.

### Growth of 2.2% forecast by OECD

WEAKNESS in the Japanese economy will depress average growth among the world's leading industrialised economies to 2.2 per cent next year, the Organisation for Economic Co-operation and Development forecast yesterday.

After a two-day meeting of the OECD'e economic policy committee, Mr Kumi Shigehara, the organisation's chief economist, said growth estimates of real gross domestic product in the OECD were seing revised downwards from 1.2 to 1.1 per cent for this year and from 2.7 to 2.2 per cent

next year. While European members of the OECD could expect an average of 1.5 per cent next year. Mr Shigebara said Japan's growth "could be well below 1 per cent". Ms Laura Tyson, the head of President Bill Clinton's Council of Economic Advisers who also chaired the OECD meeting, said the US was on course in the second half of this year and in 1994 for a 3 per cent

annual growth rate. The OECD discussion on monetary policy concluded, said Ms Tyson, that the macro-economic benefit of interest rate cuts in the US, Canada, the UK and Australia had been delayed or reduced because of the "build up of debt positions in the business, household and banking sectors".

By contrast, many countries in continental Europe do not face such balance sheet adjustments. "Here", she said, "monetary easing may have a more rapid effect on activity". But she said several continental European countries had indicated that their concerns about currency and price sta-bility prevented them from cutting interest rates.

Ms. Tyson said the US believed there was still scope for "further fiscal policy easing in Japan and monetary easing in Europe". The US experience of its recent recovery was that its fears about inflation had proved exagger-

#### Warning to Europe on digital revolution

EUROPE risks being left behind North America and the Asia Pacific region in the communications revolution" because of poor foresight and co-ordination, according to the president of a leading data networking company.
Mr Eric Benhamon, presi-

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dent of 3Com, based in Calif-ornta, said that "insufficient public awareness about Europe's plan for a superdigital highway" - an advanced, high-volume communications network for data, image and voice - was jeopardising Its economic potential.

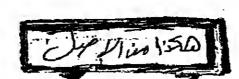
Delivering the London Business School's annual Governors' Lecture, sponsored by the FT, Mr Benhamon con-trasted the low profile of European projects with their high status in competing regions. "The US has NII, Canada has the Canarie project, Singapore has FT2000, Japan has its 2015 ISDN milestone, but there is no direct equivalent in Europe." Despite "exciting" networking projects, such as SuperJanet, to interconnect universities and research institutions, Europe lacked the strategic vision of the US and the Far East, he said.

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HE great powers of the precident, connected with his duration in office, will lead to oppression and ruin, said the columnist "Cato", writing in the New York Journal in 1787, during the passionate debate over the US constitution.

The immediate reaction to the Russian constitution, widely published for the first time yesterday, has been much the same.

In both cases, the assertion of a new central power after the collapse of an old one has been seen as containing e potential for tyranny and for

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But most commeotators have followed the lead given on Tuesday by Mr Vitaly Tre-tyakov, the editor of the Nezavisimaya Gazeta, who said the constitution was fashioned for Mr Yeltsin alone and could thus oot stand for future presi-

Mr Alexander Tsipko, a leading candidate for the centrist Civic Union bloc, said yesterday thet "what was needed after October was something which unites the country, but this merely divides it into those who are for and those who are against the president". Mr Nikolai Travkin, head of the Democratic party, talked of a constitution which could not

While Mr Gary Kasparov, the world chess champion, who is a candidate for the Russia's Choice group most closely associated with the president, dismissed the document as

"clearly temporary".
The central problems for the drafters of the constitution

 the legacy of the Soviet era in which all power was actu-ally centred in the party but was titularly vested in the par-• the recent tragic struggle

between parliament and presidency following the blockage of political and economic form; and • the actions of the 89 republics and regions, which in the

past two years have become increasingly assertive of their own rights and independence. They have thus attempted to construct a document which gives the presidency powers that are superior to those of the parliament. Like the French constitution, which was its largest influence, it gives the president the right to form governments and dismiss parliaments, lays out a complex impeachment procedure

and has indirect regional elections to the upper house. the French experience with a democratic system, and there gain the trust of the people. is no guarantee that Mr Yeltsin

However, the country lacks

The Russian election commission last night disqualified eight of the 21 political groups which had sought to register for parliamentary elections on December 12, because they had failed to gather the required 180,000 signatures.

As all 21 claimed to have collected at least 100,000 signatures.

it is presumed that a number of signatures were regarded as forgerics. The main victim is the Russian National Union, led by Mr Sergei Baburin, a former hardline nationalist deputy. He said 20,000 signatures had been stolen by thieves who wore police

All other main blocs have been accepted, including the liberal Russian Unity and Yavlinsky blocs, the centrist Civic Union and the far-left Russian Communists.

would appoint a government from the largest bloc in partiament, if it were not to his lik-

Mr Yeltsin, in his address to the natioo on Tuesday night, said that the provisions for his impeachment by parliament end his ability to dismiss the deputies were, like nuclear weapons, there to preserve stability, and not to be used.

In the thin fabric of Russian democratic practice, however, they could easily be used especially if the majority parhament found itself in strong opposition to the president but baulked of any other means for expressing that opposition.

Second, the constitution's drafters have insisted on the equality of the 89 subjects of the federation. That means that the 21

republics will have the same

year term, its first term will be only two years.

The deputies of the upper house (or Federation Council) will be elected for the first term, then will be selected by the regions in ways appareotly left to their leaderships which leaves the first term

deputies looking rather spare. The very site of the new parliament has been proposed (though not yet decided) for the Academy of Administration on the outskirts of Moscow - hardly underscoring its prestige.

Mr Yeltsin, having promlsed he would stand for president in pre-term elections next June. will now serve his full term apparently irrespective of what the new parliament thinks.

The parliamentary democracies among the seven leading powers are the constitutional (and titlar) monarchy in Britain Canada with a British model, and Germany, Italy and systems reconstructed after the last war to avoid a future dictator.

The presidential states are France and the US, both with revolutionary traditions from which their constitutions and their presidencies derive. Russia, it is clear, will join the latter group - but with no parliament before it existed. guarantee that this will be the Originally planned for a four final stab at a constitution.

#### IMF 'is missing its big chance'

By John Lloyd

THE International Monetary Fund bas been accused of "missing the opportunity" to assist Russian reform.

Prof Jeffrey Secbs, eo adviser to the Russian government and a long-time foe of IMF policy towards Russie, said in Moscow: "The IMF should now be negotiating with the Russians on a plan to go into effect at the beginning of next year to make the rouhle convertible and to stabilise the economy. The time has never been better - but there

are no preparations." Professor Sachs, who bas been close to Russian reform for the past two years, said that the political position had fundamentally altered since the banning of the Russian parliameots. The reformists were now being hacked by presidential decrees, and a reformist government was likely to follow next month's parliamentary elections.

"The IMF was told this year to speod \$13bn oo Russian reform: it bas so far spent \$1.5bn, its mandate is to help reform. They must not let this

Sarajevo radio said two

adults were killed and 30

wounded by shelling in

another mortar attack in the

city hesieged by Serbs since

April 1992. The assault comes

Bosnian Croats and Mos-

ish foreign ministry said yes-

mortar bombs.

Sarajevo.

Mr Pawlak's wooden style. which so Irritates the intelligentsia, appeals to many others, eager for a dose of "normality" after the changes of the past foor years - which have felt more like an earth-

just one day after nine people, including four children and their teacher, were killed by lems have asked Turkey to help end fierce fighting between their forces, the Turkterday. Reuter reports from Ankara. The ministry said Mr Hikmet Cetin, the forelen minaround 5 per cent of GDP. ister, was preparing to fly to

It is here though that cracks

High expectations greet new PM

### Poles look to new cabinet to deliver

By Christopher Bobinski

THE POLISH government yesterday consigned opposition politics to the status of a minority sport, after three stormy years of vulnerable cab-

Indeed, with 310 votes behind him in yesterday's vote of confidence - in o 460-seat chamber Premier Waldemar Pawlak. the 34-year-old farmer and bead of the Polish Peasant Party boasts a majority that

many would envy. The PSL, with its political base in the rural areas where well over one third of Poles live and work, and the post-communist Left Democratic Alliance (SLD) together won 35 per cent of the vote in elections on September 19. But a new election law, eliminating parties with less than 5 per cent of the vote, translated that into just under two-thirds of the seats, leaving the right-wing parties - representing over 20

per cent of the voters - unrepresented in parliament. It is even possible that Mr Pawlak's cabinet could serve a full four-year term. If the opinlon polls are to be believed, the Polish people are now looking to the future with a degree of optimism last recorded in the early days of the reforming Solidarity governments.

quake than a new dawn. The new cabinet bas also inherited a growing economy, with 4 per cent increases in GDP forecast for this and next. year. Inflation promises to fall from this year's 32 per cent to around 21 per cent next year If the new government holds next year's budget deficit to the international Monetary Fund's recommended target of

Kaczmarek, the new privatisation minister who promises to continue to whittle away at the state sector.

Similarly, in the PSL, ambi-

tious politicians jealous of Mr

Pawlak's meteoric rise promise

could emerge.

The rural voters who sup-

ported the PSL, and those in

the recession-struck towns who

backed the SLD, are looking for tangible, and rapid, eco-

nomic improvements. Ele-

ments in both parties are will-

ing to take risks with inflation.

Borowski, the SLD politician in

charge of the economy, knows

full well, would risk a worsen-

ing of relations with the IMF.

That, in turn, could jeopardise

a desperately needed 20 per cent cut in the country's

\$30.6bn debt to western govern-

ments, due to be implemented

next year. The fact that the

World Bank remains Poland's

largest source of capital - until

a debt rescheduling agreement

can be negotiated with western

commercial banks owed

\$12.3bn - also puts a premium

on monetary stringency.

However, the SLD's trade

union component, which

makes up around a third of the

parliamentary party, could pro-

vide the focus for a left-wing

alternative to the party's free

marketeers, such as Mr Borowski and Mr Wieslaw

Such moves, as Mr Merek

to stress their party's demands for policies favouring farmers. The politicians at the top of the PSL and the SLD - including its leader, the politically talented Mr Alexander Kwasniewski, who has staved out of the government - appear to have the sophistication to maintain a common front and prevent internal rivalries from undermining the new government. However, the social pressures the government faces will be difficult to contain, as Poles continue to yearn for the marked improvement in their standard of living that the overthrow of the communist

regime in 1989 promised, but

failed, to bring.

### Meciar repairs coalition

By Patrick Blum in Vienna

A NEW coalition government has been formed in Slovakia between prime minister Vladi-mir Meciar's Movement for a Democratic Slovakia (HZDS) and the Slovak National Party (SNS) led by Mr Ladovit Cernak, e former economy minis-

The agreement fullnws months of wrangling between the two parties after their earlier coalition collapsed last spring. It will end a period of growing political uncertainty overshadowed by calls from the left wing opposition for early elections to resolve the

New ministers were sworn in yesterday by president are expected.

Michal Kovac, including Mr Jan Ducky, a former president of the Slovak Industry Confed-

eration, as economy minister. Mr Ducky worked in the industry ministry under the former regime, theo became industry minister for nine months after the 1989 revolution that ended communist

Mr Julius Toth, a close ally nf Mr Meciar, remains as Finance minister, Mr Meciar will retain control of the privatisation ministry:

The combined representation of the RZDS with 66 seats in the 150-seat parliament, and the SNS with 14 seats, will give the new coalition a clear majority. Few policy changes



Meciar: ended wrangle

### Albanian ministers arrested in Macedonia crackdown

defence minister, and Mr Imer

Imeri, the deputy bealth minis-

ter, were arrested and charged

with organising a paramilitary

unit and preparing an armed rebellion, said Macedonian

By Laura Silber in Belgrade

email, and the two cities of

Moscow and St Petersburg. For

cially the self declared inde-pendent republic of Chechnya,

which will oot hold elections

on its territory and Tatarstan,

which will not hold a referen-

dum on the constitution - this

dismisses the rights they

enjoyed in the Soviet era (even

if these were mostly on paper).

In this sphere, much will

depend on what powers are

given to the subjects of the fed-

eration in the Federation

Treaty - which has yet to be

Finally, the constant change

of mind and last-minute eddi-tions to the constitution by the

president and his team is a

sharp reminder to the future

deputies of bow little they

could do about the status of

some of the republics -

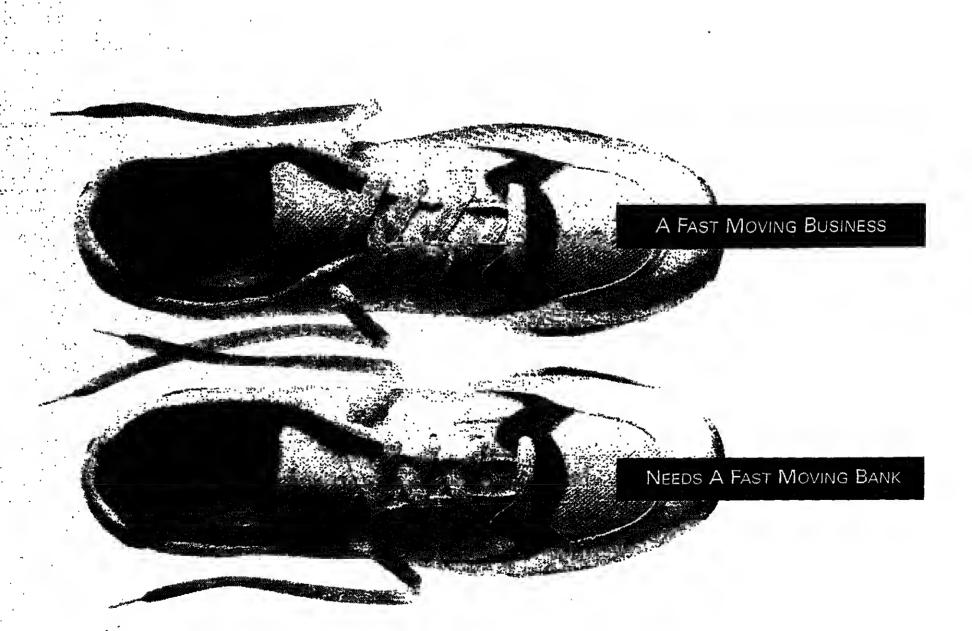
THE government of Macedonia yesterday arrested several eth-nic Albanians, including two deputy ministers in the coalition government, on charges of preparing an armed rebellion. Macedonian police yesterday renewed their clampdown on Gostivar and Tetovo, mostly ethnic Albanian towns.

The move could shatter the fragile ethnic co-existence between Albanians and Macedonians in the former Yugoslav republic, where Albanians comprise at least 20 per cent of the 2m population. Mr Hisen Haskaj, the deputy

The radio said 300 automatic rifles were discovered in a police raid, and claimed the rebellion had been planned by a political party with close ties with ethnic Albanians in the

neighbouring province of Kosovo, southern Serbla.

Meanwhile in Sarajevo, three children were killed and about 15 were critically wounded in a mortar bomb attack in Sarajevo, the Bosnian capital.



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## Consumer prices show 0.4% gain

By Michael Prowse in Washington

THE UNDERLYING pace of US inflation remained moderate despite a 0.4 per cent gain in er prices last month.

The Labour Department. which reported the latest figures yesterday, said that the increase partly reflected a 1.9 per cent increase in energy costs after petrol taxes were raised by 4.3 cents a gallon on

The year-on-year rate of inflation rose to 2.8 per cent, against 2.7 per cent in Septem-

The relatively poor consumer price figures followed exceptionally good wholesale price figures earlier this week. The producer price index for finished goods declined 0.2 per cent last month.

Bond prices fell modestly as many traders had hoped that the drop in wholesale prices would be reflected in the consumer price data.

Taking the two sets of figures together, however, "infla-tion is stable to lower", said Mr

All Herns index

of the Federal Reserve Bank of

New York. Fed governors and regional

presidents meet next week to

discuss monetary policy. Most

analysts expect the Fed to

leave short-term interest rates,

currently 3 per cent, unchanged for the next few

months. But a tightening of

policy is widely expected some-

Last month'e consumer price

increase was the largest since April. However, it followed a

zero increase in September and

ime next year.

The core consumer price index, which excludes food and energy, rose by 0.8 per cent last month and by 3 per cent in the year to October.

The annual increase in core prices was the lowest for two

moderate gains during the summer. Apart from energy. the main upward pressures on

the index came from food

prices. up 0.6 per cent from

September, and housing, bealthcare and entertainment,

which registered 0.5 per cent

In recent weeks, signs of an acceleration of economic growth in the second half of the year have dented confi-

dence in bond markets. Investors worry that faster growth will put upward pressure on inflation, forcing the Fed to raise interest rates which would cause bond prices Most forecasters, however,

say that there is enough slack in the economy to prevent inflation rising much above its current rate of about 3 per cent. Some predict a further

### **US** steps up the pressure on North Korea

By Lisa Bransten in Washington

THE US is losing patience with North Korea's resistance to international inspection of its nuclear facilities, a senior State Department official said yesterday. Ms Lynn Nevis, under-

secretary of state for international security affairs, told a House of Representatives com-mittee the US was prepared to ask the United Nations Secu-rity Council to impose sanctions on North Korea if it continued to resist full inspection by the international Atomic Energy Association "Our patience is running

out, and the North Koreans need to know that is our next step," Ms Davis told the Foreign Affairs Committee. She did not, bowever, set any spe-cific deadline by which the US would request sanctions.

Sanctions, however, are an extremely sensitive issue because many fear that North Korea might be more likely to atteck neighbouring South Koree or other nations if



North Korean officials have said they would consider the imposition of sanctions an eggressive act.

Last week, Japan and South Korea warned Mr Les Aspin, US defence secretary, against seeking UN sanctions out of fear that North Korea might undertake a terrorist cam-paign. Mr Aspin spent two days in South Korea discussing the northern threat with Presi-

President Bill Clinton said on Sunday that North Korea cannot be allowed to build a nuclear bomb", but did not dis-cuss specific actions the US might undertake.

Ms Davis told the committee that in the past North Korea could have produced weapons grade material sufficient to produce one or two nuclear weapons." but added she was Preventing North Korea from producing nuclear weapons was among the most important of the administration'e goals, Ms Davis said.

She was bopeful China would not veto a Security Council request for sanctions. They share our goals and we hope that they would work with us on the Security Council. The US is willing to pursue

ously even when they may in addition to fears about nuclear weapon development, the US is concerned about pos-Ms Davis grouped North Korea along with Iran, Iraq and Libya as nations of particular concern. She said that North Korea could become one of the countries to be monitored closely by a new international eguard organisation.

President Kim Young-sam believes his talks in Washington could be decisive

### Canada prepares for record budget deficit South Korea urges haste on nuclear issue

By Bernard Simon in Toronto

CANADA'S new Liberal government is preparing the ground for bad news on the federal budget deficit. Officials are suggesting the sbortfall could reach a record C\$40bn (£20.8bn) in the fiscal year ending March 31, 1994, compared to the C\$32,6bn deficit predicted last April by the previous Conservative government.
Estimates of last year's deficit are expected to be revised upwards to well above the projected C\$35.5bn.

Analysts predict that revi-sions of the federal deficit will be followed by announcements from several of the 10 provinces that they too will fail to

which are heavy borrowers on international capital markets, have been under pressure to trim deficits. Credit-rating agencies have warned failure to do so may result in downgrading of creditworthiness and rising borrowing costs. Higher deficits, coupled with

a narrowing gap between US and Canadian interest rates and nervousness on the future of the North American Free Trade Agreement, have pushed the Canadian dollar down sharply over the past two days. The currency was trading at 76.47 US cents yesterday morning compared to more than 77

cents on Monday. The Bank of Canada's efforts to bring down interest rates

the dollar in coming weeks. 10-year US and Canadian government honds shrunk yester-day to about 1.1 percentage points, compared to 1.4 points before Canada's general elec-tion on October 25. Canadian banks earlier this week lowered their prime lending rate to 5.5 per cent, the lowest in 31

Federal and provincial budget projections have been thrown off course largely by sluggish tax revenues, rather than runaway spending. The revenue shortfalls are ascribed partly to slow economic growth. But there is also growing evidence of an expanding By John Burton in Secut THE NORTH Rorean nuclear

issue was "entering a critical phase" and must be resolved soon, South Korea's President Kim Young-sam said yesterday. His meeting with President Bill Clinton in Washington on November 23 could prove "the decisive discussion on the issue," he added.

President Kim plans to meet China's President Jiang Zemin during the Asia-Pacific Economic Co-operation conference in Seattle on November 19. China has indicated it may

UN Security Council to impose economic sanctions on North Korea if it does not accept international nuclear inspections soon.

A national security meeting headed by Mr Kim yesterday saw no sign of military provocation by North Korea. "There is some military movement in North Korea, but not of the type associated with an offensiva undertaking,"

The US Defence Department refuted reports of a sudden build-up of North Korean

border. A senior US defence. official was quoted at the weekend as suggesting North Korea might be preparing to attack South Korea soon, out

There was no mention that the department felt an attack by the North Koreans was imminent. That was never said and never even implied," a spokesman said in clarifying the official's remarks.

There has been a build-up of North Korean conventional forces near the border area

years. The senior official described some things worry-ing the department. One of them is the North Korean economy, second, the trend to the build-up of conventional

forces along the border."
Officials in Seoul expressed cautious optimism that a diplomatic solution to the impasse over the international inspection of North Korea's nuclear facilities could still be reached. They said one sign was a meeting on Tuesday between

US and North Korean officials

cated North Korea was unwilling to abandon negotiations with Washington in seeking a solution to nuclear inspections.

lieve North Korea is engaged in brinkmanship complicated by disagreements within the Pyongyang government over the future course of talks. But that North Korea "counteracts with an irrelevant issue' whenever Seoul and Washingtop want nuclear inspections

#### **BRAMALEA LIMITED CONVERSION NOTICE**

#### TO: HOLDERS OF BRAMALEA LIMITED SERIES I 1998 CONVERTIBLE DEBENTURES

NOTICE IS HEREBY GIVEN that Bramalea Limited (the "Company") intends to convert the outstanding 70% Amount of the Series I 1998 Convertible Debentures into common shares of the Company in accordance with the terms of the Tenth Supplemental Indenture dated March 22, 1993 between the Company and the Trustee. Such conversion will occur on November 15, 1993.

In order to reflect the conversion of the 70% Amount of the Series I 1998 Convertible Debentures (the "bearer Debentures") (i) holders of bearer Debentures who hold their bearer Debentures must surrender the certificate(s) representing their bearer Debentures to the office of the principal paying agent set out below and sign and complete a letter of transmittal and (ii) holders of bearer Debentures whose bearer Debentures are held through Euroclear or Cedel, as the case may be, must forward their instructions to Euroclear or Cedel, as the case may be. Copies of the letter of transmittal are available at the offices of the Trustee, or the principal paying agent set forth below. The method of delivery of the letter of transmittal and certificate(s) representing bearer Debentures is at the option and risk of the Debentureholder.

Upon receipt by the principal paying agent of a duly completed letter of transmittal (or other instructions acceptable to the Trustee) and the certificate(s) representing the bearer Debentures, the Corporation will forward or cause the Trustee to forward to each Debentureholder, or to Euroclear or Cedel, as the case may be, as soon as practical, certificate(s) representing the appropriate number of common shares of the Corporation including the Debentureholder's pro rata portion of an additional 50.75 million common shares of the Corporation, together with the bearer Debenture certificate(s) endorsed to indicate conversion of the 70% Amount. If the Debentureholders elects to convert the entire 30% Amount of the bearer Debentures, the Corporation will forward or will cause the Trustee to forward, in accordance with the instructions of the Debentureholder, certificate(s) representing the appropriate number of common shares of the Corporation relating to the conversion of the 30% Amount.

Further details of the conversion process are available from the Trustee at any of its branches set forth

DATED at Toronto, Ontario, Canada this 11th day of November, 1993

**BRAMALEA LIMITED** Marvin G. Marshall President & Chief Executive Officer Frank J. Graham

411-8th Avenue S.W.

Senior Executive Vice President & Chief Financial Officer OFFICES OF MONTREAL TRUST COMPANY OF CANADA

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### Congress succumbs to a fever of legislation against crime

THE US Congress is working itself up into an anti-crime frenzy in which an array of bills proposing tougher gun controls, tougher sentences and tougher measures against immigrants could sweep into

The Senate has already voted to ban the sale of handguns to anyone under the age of 18; to expand federal prosecutors' powers to pursue gang crime; to make carjacking a federal crime; and to impose the death penalty on a long list of federal crimes. It was near to outlaw-

The House of Repr tives, meanwhile, passed a number of crime measures last week and was due last night to vote on the Brady bill, legisla-tion named after the former White House press secretary

severely injured in an assass nation attempt on President Ronald Reagan. This would order a five-day waiting period

for anyone buying e handgun. Senstor Joseph Biden, the chairman of the Senate judiclary committee, speered that the only restraint which his colleagues had shown was in

of assault weapons, whose penalty for jay-walking import is already banned. Congress's efforts to pr

cainst crime usually provoke cynicism among prosecutors and police chiefs around the country. Most violent crime falls under state and city jurisdiction.

The expansion of the death penalty to such federal offences as wrecking a train or fatal violence against maritime platforms is viewed by most law enforcement officials as purely symbolic and, in any case, ineffective against the street crime that most worries

US voters.

enalty for jay-walking. years. Texas yesterday carried congress's efforts to prove it out its 16th execution this

"I know of no law-enforce-meet professional who believes that all the death penalty provisions and new federal crimes would affect public safety in the slightest," wrote Mr Robert Morgenthau, the long-serving New York district attorney, in an article in yesterday's New York Times.

Proposals to put more police officers on the beat nationwide and to construct new high-security prisons are sound. Little else deserves sup-

#### SALEROOM Heady cocktail

in NY By Antony Thorncroft

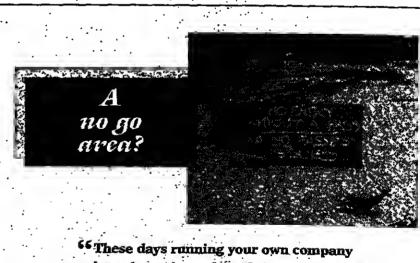
early abstract expressionist work, "Year after Year", painted in 1947 by Arshile Gorky, sold for \$3.85m (£2.6m) at Christie's in New

York on Tuesday night. The price paid by a private American collector for this colourful, optimistic, cocktail of greens, reds and oranges was not only a record for the artist but set the seal on Christie'e most successful auction of contemporary art for years.

"This was the most heady sale since the late 1990s," said Mr Christopher Burge, Christie's US president "The excitement in the room

signalled a return of confidence to the market, with people keen to buy works of art again, whether expensive or reasonably priced." he said. We noticed a number of new

The auction brought in \$15.9m (£10.8m) and was 85 per cent sold by value, a high success rate for e contemporary art sale. A fire at Gorky's studio destroyed much of his output, and important works rarely come on to the market. Another highlight was the price of \$1.7m paid for a study by Francis Bacon of his fellowartist Lucien Freud. It fetched almost double its estimate.



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PUNDITS and pollsters alike declared Vice-President Al Gore the clear winner in Tuesday night's televised debate with Mr Ross Perot about the North American Free Trade Agreement.

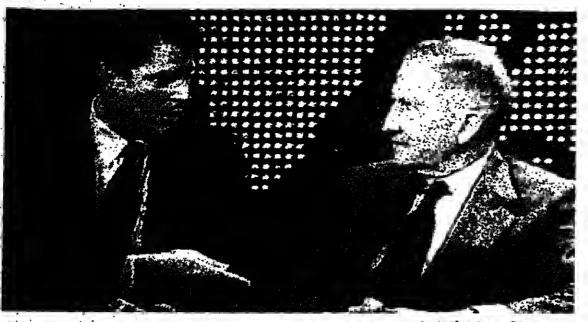
Unlike an election debate, however, this confrontation could hope to influence fewer than a hundred members of Congress who remain uncommitted either for or against Nafta. The debate's impact on ordinary viewers -a pool already diminished because the debate reached only homes with cable television - will be felt only indirectly in the crucial vote in the House of Representatives next Wednesday.

b101

Mr Gore may have attained a num-ber of his objectives. The forum gave him the opportunity to present the case for the treaty to a sceptical pubnc, made fearful by the slow recovery and corporate cutbacks. The vice pres-ident underlined the foreign and trade policy initiatives at stake and the danger that the administration might be unable to overcome a Nafta defeat to complete the Uruguay Round of

However, he also presented a somewhat negative case for the agreement: he repeatedly noted that the US could withdraw with only six months' notice if the pact did not work, and warned that "the Gatt round would probably not be completed if Nafta

While the vice-president did not manage to provoke Mr Perot into any stunning displays of paranoia, by constant needling he succeeded in making his opponent appear nasty and thin-skinned. (Only on Sunday Mr Perot told a rally that he had been warned by the FBI of a plot against his life by six armed Cubans.) The perception that Mr Perot may



Vice-President Al Gore (left) makes a point during his televised debate with Mr Ross Perot on the North American Free Trade Agreement, an encounter from which Mr Gore is generally held to have emerged the winner

be more of a drawback than an advantage to the Nafta opposition appears to be shared by several leading oppo-nents of the treaty, both inside and outside the Congress. The tone of Mr Perot's arguments was so unremittingly negative and defensive that he actually served up an excuse for any congressman still in search of a reason to vote in favour in next week's Nafta debate,

The administration's calculated gamble, that identifying the anti-Nafta camp closely with Mr Perot would work in favour of the agree-

ment, appears to have paid off, at least to some modest degree. It still needs a political miracle to get Nafta through the House of Repre-

sentatives. The hope was that the dehate would create a momentum towards passage of the treaty that the administration has been unable to achieve after weeks of deal-making. Indeed, in its wake, one congress-

man, Mr Jim Bacchus of Florida, announced his support, but he had been leaning towards a yes vote and the administration has to secure 25-35

It was useful to the pro-Nafta side that an hour after the debate was over Mr Gore was quickly declared the winner in an ABC telephone poll hy 47 per cent of viewers compared with 33 per cent for Mr Perot. But the real gains come in the televised soundbites - like the one in which Mr Perot calls the vice-president a liar -

Journal hureau chief, yesterday accused Mr Perot of lying when he claimed to have never hired lohhyists. Mr Hunt said Mr Perot had secretly

lobhied the Ways and Means committee and bad "snuck through" a \$15m tax break for himself "in the middle of the night".

It was one more attack on Mr Perot's credibility, begun when the vice-president pointed out that the Texan had supported NaIta helore running for president. Mr Gore held up a hrochure featuring Mr Perot's picture and extolling the beoefits to be derived from Latin American trade for the Perot family Alliance airport project to Fort Worth, Texas.

Mr Perot scored a number of debating points with his visual aids. One featured a modern US company factory in Mexico surrounded by slums which have sprung up for the workers. Mr Gore could have made the point more effectively that, without Nafta, working and environmental conditions will just worsen.

Ironically. Mr Perot often sounded as though he were more interested in protecting the living standards of Mexican workers than those of their US counterparts, and argued, with apparent seriousness, for a "social tariff" to force the Mexican government and elites to raise wages.

The sheer fact that the debate took place reflects the administration's need to play catch-up in a race that is almost won hy Nafta's opponents. The best opportunity for winning support for the agreement was during the oegotiations on the side accords on environment and labour. But those accords were not strong enough to win over influential members like and follow-up reporting.

Congressman Richard Gephardt, the majority leader. Instead, the administration is caught up io a nervewrecking last minute efforts which

seem only Sisyphean. No such thiog as free treaty, Page 13

### Gore scores but game is still in doubt Japan offers to cut duties on imports By William Dawkins in Tokyo

JAPAN has told the European Union it is prepared to remove import duties in three industrial sectors to encourage progress in the deadlocked talks oo world trade liberalisa-

The offer comes in a letter from Mr Tsutomu Hata, foreign minister, to Sir Leon Brittan, the EU's chief trade negotiator, due to visit Tokyo on Sunday and Monday to discuss the Uruguay round of Gatt talks, the agreement deadline for which is just a month away, December 15.

Japan would be prepared to lift tariffs oo electronics, scientific equipment and pulp and paper, and calls on the EU to do the same, Mr Hata's letter says. Japan has already offered to reduce import duties on industrial goods by an average 60 per ceot, as against the 33 per cent offered by the EU and the US's 37 per cent, he

in pushing for a Gatt deal, at a time when the US govern-meot's attention is diverted from the world trade talks hy the forthcoming Congress vote on the North American Free Trade Agreement.

Japan will also seek a joint initiative to encourage progress in Gatt from the 15 memhers of the Asia-Pacific &conomic Co-operation forum, meeting in Seattle next week, a senior foreign ministry official

The letter voices concern over the continuing dispute between the US and the EU on agricultural subsidies, though it does not mention Japao's much-criticised ban on rice imports, seen as aoother important barrier to a Gatt deal. It calls for an urgent review of EU barriers to trade in financial services.

Japan would lift its rice ban at the same time as the US and says. EU solved their agric The letter is a sign of Japan's row, the official added. EU solved their agricultural

### **Sutherland in Gatt** deal game-plan

By Frances Williams In Geneva

MR PETER Sutherland. director-general of the General Agreement on Tariffs and Trade, yesterday set out his game-plan for completing the Uruguay Round of global trade talks by the agreed deadline of December 15.

He told a meeting of the overseer Trade Negotiations Committee that "all negotiations on substance" would have to be concluded by that date, which marks the expiry of US negotiating authority.

Mr Sutherland rebuked negotiators for wasting time "on

to leave important concessions until the last possible moment. He said yesterday the TNC would meet at least once a week under his chairmanship to steer the talks. He will chair "very frequent informal open-ended meetings" of top negotiators to tackle outstand-

ing issues and blockages. He urged greater efforts to achieve "substantial results" by November 15. Final country schedules setting out market opening measures for services are due by November 26.

Mr Sutberland said revised texts on creation of a Multilateral Trade Organisation and procedures would be ready by

### Healthcare reforms constrain sales of medicines

HEALTHCARE reforms and changes in the customer base have constrained the drugs markets in both the US and the European Union this year.

Sales in pharmacies in the seven largest European markets fell from \$33.7bn to \$30.2bn in the first eight months, but were affected adversely by currency depreciation. Excluding exchange

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the specialist research-based

The European market was held back by the effects of healthcare reform in Germany and Italy. Sales in Germany fell from \$9.6bn to \$8.2bn, a drop of 10 per cent at constant

The Italian market fell from \$7.47bn to \$6.6bn, a drop of 3 \$3.5bn to \$3.3bn, but increased - excluding currencies.

per cent excluding currencies. The Spanish market could slow in coming months, following the introduction of measures

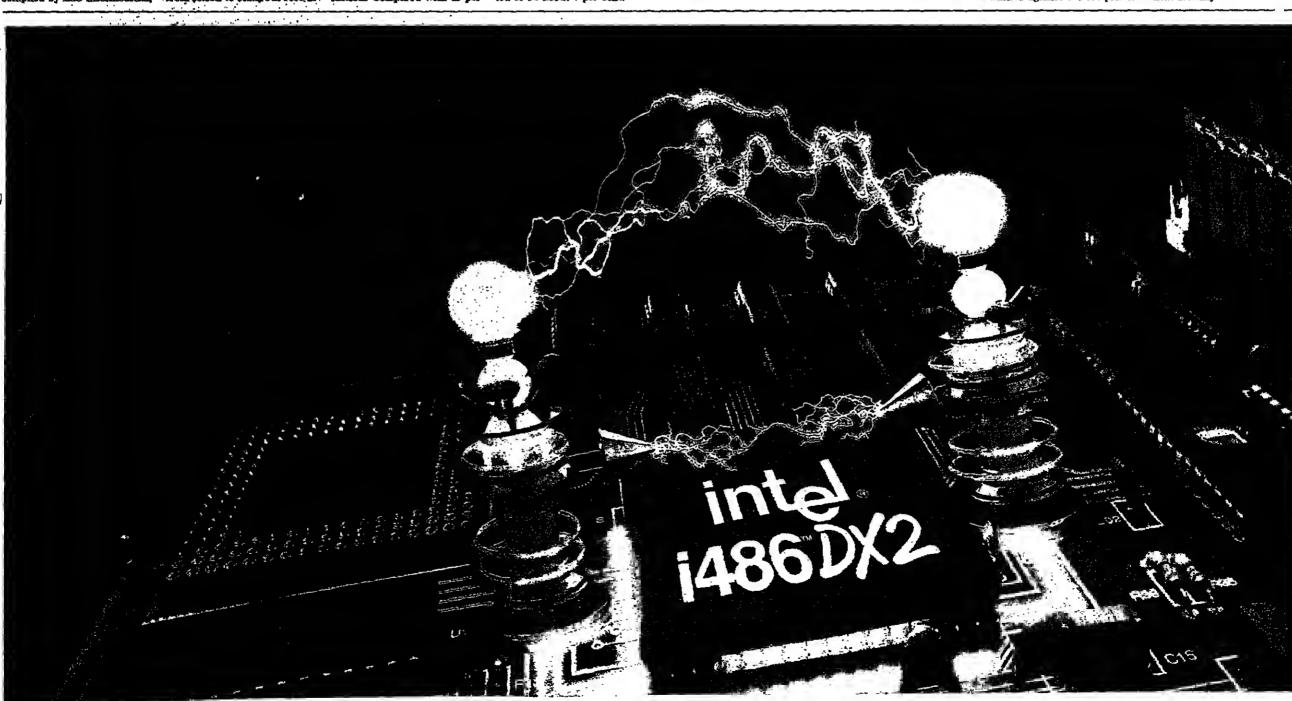
to control drugs spending. The French market contin-ued to grow, up from \$7.7bn to \$7.9bn or 7 per cent at constant rates. The Dutch market was up 13 per cent, from \$979m to. \$1bn, while sales in Belgium per cent exchiding currencies. were static in dollar terms at Sales in the UK also fell, from \$10m, but increased 6 per cent

cent in 1991, growth is anaemic. Sales have been hit hy patent expiries and increasing use of generic products, as well as greater discounting to bulkbuyers of medicines which are becoming increasingly aggres-

The Japanese hospital market increased 13 per cent at constant rates, up from \$9.9bn to \$128bn. However, the market is likely to be hit next year when the bealth ministry is

DAROAN	an fanut.		
	Europe	US	Japan
Cardiovascular	6.759	4.696	1,981
Alimentary/metabolism	5.128	4,572	2.440
Anti-infectives	3,331	4,772	653
Central nervous system	2.784	2.703	1.761
Respiratory	2.869	2.942	1.055
Musculo-skeletat	1.648	1.459	1,242
Blood/organs	1.476	1.186	954
Others	8,233	6.476	2.767
TOTAL	30.228	28,806	12.833
Increase %"	1	4	13

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council of ministers in December

1992, was made head of state in

August following Gen Bahangida's

annulment of last June's presiden-tial elections. A new poll is set for

February.

The list includes ex-vice president.

Admiral Augustus Aikhomu and

several former ministers who served in the transitional council, which

was dishanded in August: former finance minister, Mr Oladele Olash-

ore, Mr Philip Asiodu, former oil

NIGERIAN government ministers and senior army officers have been allocated prime huilding sites on land in Lagos, according to evidence

filed in the High Court.
The land has been acquired through compulsory purchase under a retroactive decree issued by the former military government led by General Ibrahim Babangida, The decree has not so far been repealed hy the military-backed civilian administration which succeeded Gen Babangida in August.

The evidence has been filed in support of legal challenges to the decree by a private development company and the Lagos state government. Issued last July and retroactive to 1975, the decree provides for the compulsory purchase of land on the

Lagos State Assembly, which has begun a court action seeking to restrain the federal government from acting on the decree, told the court last Friday the names of those

Defence Minister General Sani Abacha, Foreign Minister Matthew



Babangida: annulled election

Mbu, Justice Minister Clement Akpangbo and Information Minister Uche Chukwumerije are among

Also named is Mr RO Shonekan. A government minister who requested anonymity said this was the son of Chief Ernest Shonekan, the country's civilian head of state.

Nigeria's military-backed interim government said last night that it would appeal against a Lagos court ruling that it was illegal, Paul Adams writes from Lagos.

In a case brought earlier in the day by Chief Moshood Abiola, winner of last June's annulled presidential poll, the judge ruled that former military ruler Gen Ibrahim Bahangida had no

honekan to take his place when he stepped down on August 26. Mr Shonekan is due to address the elected national assembly in Abuja today when he is expected to defend this week's unpopular decision to increase petroleum

authority to appoint the interim government led by Chief Ernest

The minister was speaking on behalf of Chief Ernest Shonekan, and responding to questions from the Financial Times.

The minister also said that those minister, and Mr Oluwole Adeosun. former transport minister. allocated the 140 sites would have to pay N500,000 (28,000) per plot, and Prominent among the military names in the list are the chief of defence staff Lt Gen Oladipo Diya. essed that the allocation system did not contravene the law. Respon-

head of the army Lt Gen Altyu ment led by Gen Bahangida, he said. Mohammed and former heads of the He declined to comment further, saying that the matter was sub judice.

army, navy and sir force.
Others among the beneficiaries of City estate agents said yesterday that the designated price is substanthe land deal are Mr Pascal Bafyau, the head of the Nigeria Labour Contially less than the sites' worth on gress, and Mr Iyorchia Ayu, the recently deposed speaker of the Senthe open market. The list of recipients reads like a

Who's Who of Nigeria's ruling estab-lishment under Gen Babangida, who The Lagos state high court last week temperarily restrained the fedstepped down last August after seizeral government from exercising ing power in a coup in 1985. Chief Shonekan, who had been rship rights over the land it acquired compulsorily under the appointed chairman of a transitional decree.

to develop the site.

mitiated by the Lagoon City Development Corporation (LCDC), the privately owned company responsible for reclaiming the disputed land.

LCDC has been negotiating with state and federal authorities for more than s decade for permission

A separate legal action has been

Earlier this year Mr B. Gemade, housing minister, told the developers that the federal government was acquiring the land and that they would be compensated at rates well below the market value. Surveyors estimate that each plot is worth eight times the value the govern-ment is selling the land for.

and took the government to court. in September at the court hearing the government produced a handwritten decree which swept aside the rights of individuals and state governments in Nigeria who own land reclaimed from the sea or within 100 metres of the absence.

A spokesman for the company said: They dated it the day before we went to court so they could inval-idate our action, although the decree was not promulgated till September. They also backdated the effect of the decree to overrule the 1978 legislation which ceded all federal government land to state governments."

The decree forces each lessee in Nigeria to renegotiate his lesse with the federal government within 30 days although it was not gazetted until two months later. Failure to renegotiate risks dispossession and a fine of N10,000 or a five year prison

The messure also denies the right of any court in Nigeria to challenge the decree's legitimacy and overrules property rights set ont in Nigeria's constitution.

#### Kenyan post chief quits after criticism

By Leslie Grawford in Nairobi

THE managing director of the Kenya Posts and Telecommunic cations Corporation has chosen to take voluntary retirement following concerns expressed by Kenya's donors of financial mismanagement and corruption in the public utility.

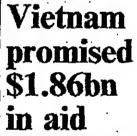
Mr Kipng'eno arap Ng'eny said he thought it was "wise and desirable to retire" after 14 years at the head of KPTC. Mr Philip Okundi, managing director of the Kenya Broadcasting Corporatioo, has heeo appointed to replace him.

Mr Ng'eny's departure follows an intense campaign by the International Monetary Fund and World Bank for complete overhaul in the way KPTC conducts its business. In an auditor-general's report, KPTC was criticised for channelling funds to insolvent local banks and for failing to remit to the Treasury the 18 per cent value added tax it charges on telephone bills. It is also in arrears on its foreign debt and in its contributions to the National Social Security Fund. The company, with a payroll of 30,000 employees, is seriously

overstaffed. President Daniel arap Moi's government has promised to reform the parastatal sector in order to win back financial assistance suspended by donors in 1991. The World, Benk is hosting a meeting it. Paris this month to discuss the resumption of international aid

to Kenya. Mr Dalmas Otieno, the minister for transport and telecommunications, yesterday deried that Mr Ng'eny had heen involved in any financial impropriety at KPTC. "Mr Ng'eny is not under investigation, and we have no intention

to investigate him." he said. We are not looking for criminals, just ways of enhancing the efficiency of the parastatal sector," Mr Otieno said.



VIETNAM was yesterday promised \$1.86bn (£1.23bn) in development aid from foreign governments and multilateral agencies, in a move which marks a further step in the country's return to the interna-

tional financial community.

After the first meeting of a World Bank-headed donors' conference for Vietnam, Mr Phan Van Khai, its vice-prime minister, said the money would be largely spent on education, child nutrition and infrastructure. The World Bank agreed with these priorities, hut stressed Vietnam needed to tackle its "quite high" population increase of

2.2 per cent a year.

Mr Phan expected the aid programme would lead companies to increase investment in Vietnam. Hanoi had already licensed some 700-800 investments worth \$7bn.

More than half the promised aid, mainly in the form of soft loans, will come from other governments, with Japan accounting for the largest amount, of \$550m. Other prominent donor governments are France, Britain, South Korea and Australia. The rest of the aid will come from multilateral agencies such as the World Bank and the Asian Develop-

ment Bank (ADB). The one predictable absence from the aid consortium is the US. Hanoi's antagonist during the Vietnam war. But Japan as the main regional power, and France as the region's former colonial power, have stepped in to wipe out Vietnam's deht arrears to the World Bank and

This has allowed Hanoi to reach agreement, with US acquiescence, on a \$223m standby credit with the international Monetary Fund.

The IMF accord in turn opens the way for Vietnam to start discussions with the Paris club of official creditors in early December on rescheduling payments on some \$500m of its debt, Mr Phan confirmed yesterday. The country's total

debt stands at \$2bn. Mr Phan said Vietnam would need considerable further aid, if it was to meet its goal of doubling its national income hy the year 2000. The viceprime minister did, however, hridle at questions about human rights, stressing Viet-nam had its own Asian interpretation of such rights which

differed from western concepts.

Concern over moves against multinationals

### Nissan pays Y17bn in US penalty taxes

NISSAN, the Japanese car maker, has paid nearly Y17bn (£106.25m) in penalty taxes to the US internal Revenue Service, in settlement of an IRS ruling that the company avoided US taxes by transferring part of its income from the US to Japan.

The move by Nissan, which in effect accepts the IRS ruling, comes amid mounting interna-tional concern about US moves to tighten the tax grip on foreign multinationals operating in the US.

The penalty payment by Nissan relates to an IRS ruling that Nissan set transfer prices on its passenger cars and trucks imported by its US subsidiary in California at much higher levels than the IRS deemed appropriate, and that as a result Nissan reported lower income in the US than it should have.

Nissan cootested the IRS ruling and the matter was referred to the National Tax Agency of Japan. "We do not believe the prices we charged were inappropriate," Nissan said. The Japanese Tax Agency

**Pacific** 

forum

the Y17hn so that it can avoid

While the move by Japan sig-nals acceptance that at least part of the income reported by Nissan in Japan should have been declared in the US, the case reflects "a difference of interpretation" of what constitutes acceptable transfer prices for goods sold within the group, a National Tax Agency

official said yesterday.

The US has claimed that multinationals often ahuse international transfer price rules which state that goods and services sold from one group company to another should be priced as if they were sold to any outside com-

By setting higher or lower transfer prices, the US claims, multinational companies have been able to shift their US prof-Its abroad, thereby escaping

But it is difficult to determine what an appropriate transfer price is, the Tax Agency official said. in the US, for example, the

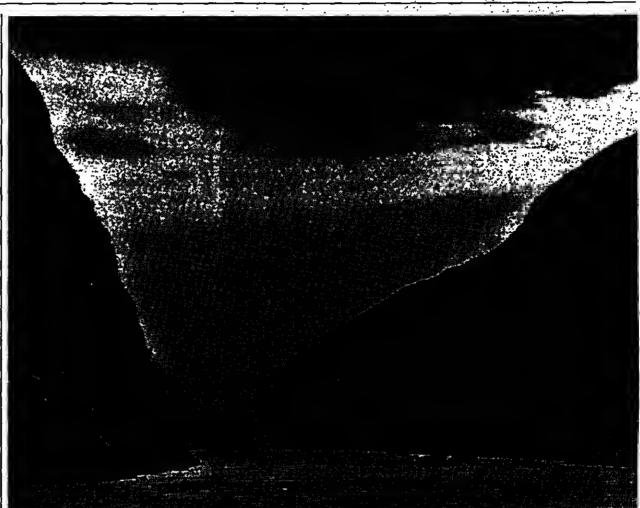
common among Japanese companies, is seen as unnatural and raises suspicions of mappropriate transfer pricing prac-

tices, he noted. The US interpretation looked at profits alone and not at the entirety of husiness practices, the official added.

It is not the first time for Nissan to be charged penalty taxes on the grounds that it had breached transfer pricing

The IRS ruled previously that Nissan breached transfer pricing rules in connection with income for the years from 1975 to 1984. During those years Nissan exported 5.2m passenger and commercial cars, including the Sentra, the Stanza and Datsun trucks, to the US

The company has already paid Y62hn in penalty taxes to the IRS, which has been refunded to it by the Japanese tax authorities. Nor is Nissan alone among Japanese compa-nies in being charged on those grounds. The Japanese Tax Agency has intervened in negotiations with the IRS in at least eight cases involving Japstrategy of sacrificing profits



#### US AGENCIES TO PULL OUT OF YANGTZE PROJECT

By George Graham in Washington

their involvement in China's controversial Three Gorges project to build the world's largest dam oo the Yangtze river. The Bureao of Reclamation, which is in charge of irrigation and water management in the US, and the Army Corps of Engineers, whose responsibilities include flood control and navigation, will sever their involvement in Three Gorges after they have completed work on a hydrologi-

Although the bureau and corps had

THE SOUTH Korean

government has issued its first

arhitration decision involving

a labour dispute at a foreign

husiness by ruling in favour of the management at Citibank,

the largest foreign bank in the

country.
Foreign businessmen, partic-

ularly bankers, had worried

that a government decision

supporting union demands

would provoke labour unrest

TWO US government agencies are to end nents charge will displace 1.3m people and flood nearly 100,000 hectares of China's best farmland.

Competing with each other in the 1930s and 1940s, the two agencies symbolised an era of monumental civil engineering when the US believed it could bend nature.

Seoul rules for Citibank in fund row

August, follows government initially feared the labour min-

only a consulting role in Three Gorges, "We are not really in the dam-building their withdrawal is a symbolic blow to business any more. We are a water urce mans bureau spokeswoman said.

The bureau falls under the aegis of Mr Bruce Babbitt, interior secretary, who has launched an ambitious attempt to transform the federal government into a better its control. However, the US withdrawal to lts will with ever bigger dams such as is also a comment on the appropriateness Bonneville, Hoover or Grand Coulee. of massive dams such as Three Gorges. The Bureau of Reclamation said its "We wouldn't support such a project in withdrawal from Three Gorges reflected the US now, so it would be incongruous for us to support it in another country," the Clinton administration took office.

First arbitration in labour dispute involving foreign business

efforts to reverse a decline in foreign investment. Labour

problems have often been cited

as a main factor discouraging

Labour, said Citibank did not

have to establish an employee welfare fund that was at the

It also ordered Citibank to

give its workers a 9.5 per cent -wage increase, higher than the

management offer of 8.9 per

foreign investment in Korea. The arbitration panel, appointed by the Ministry of

## Ozawa evidence on donations

By William Dawkins in Tokyo JAPAN plans to upgrade the

next meeting of the Asia Pacific Economic Co-operation forum, due in Tokyo in 1995, from a ministerial session to include a formal summit of heads of government. Mr Tsutomu Hata, Japan's

foreign minister, suggested the idea yesterday, marking a fresh eotbusiasm for regional consultation by the Tokyo government. Apec, grouping some of the world's fastest-growing economies among Its 15 members, will stage a ministerial meeting headed by the US in Seattle next week, to be followed hy an informal meeting of leaders at President Bill Clinton's invitation.

"We have to think what kind of management will be most beneficial to the world econ-omy after the end of the cold war. Apec can be an extremely effective place to think about that," said Mr Takeshi Isayama, director-general of ecoistry of international trade and

Apec should be a forum for consultation, oot for negotiations, said Mr Isavama, Most of Apec's Asian members, especially Malaysia and Thailand, share Japan's view. They are suspicious of what they see as US eagerness to turn Apec into a free trade zone, economically dominated by the US.

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# Boost for LDP calls for

By Robert Thomson in Tokyo

JAPAN'S opposition Liberal Democratic party yesterday demanded that its former powerbroker, Mr Ichiro Ozawa, now a senior member of the governing coalition, testify in parliament about donations received from a constructioo

Mr Ozawa has admitted receiving Y5m (£31,250) late last year, when he was still an LDP member, but insists the donation was legal, and claims the LDP is attempting to use the issue to derail the coalition's political reform pro-

Prime Minister Morihiro Hosokawa has promised to change the political system hy the end of the year, and needs to secure quick agreement on four reform bills. However the LDP has listed 21 objections to the proposals and delayed negotiations with the govern-

Disagreemeot over the reform bills has yet to dent Mr Hosokawa's personal popularity, according to a poll pub-lished by the Asahi Shimbun newspaper yesterday. After three mooths in office, his cabinet has an approval rating of month), hut still higher than any other cabinet since 1946.

Apart from convincing the LDP to discuss reform and dealing with the Ozawa contro-versy, Mr Hosokawa faces difficulty in convincing the Social Democratic party, the largest group in the coalition, to accept even minor changes to the reform hills.

The SDP, formerly the Japan Socialist party, yesterday would not accept any alter-ation to a proposal for 250 MPs to be chosen from single-seat constituencies and through proportional representation. making a total of 500 members for the House of Representatives, the more powerful of Japan's two houses.

But the LDP wants 171 seats chosen through proportional representation and 300 from single-seats, which will replace the present multi-seat constitueocy system. Komelto (the Clean Government party), a coalition member, has suggested 275 single-seats, but the SDP said it would quit the coalition if the original pro-

posal is changed. SDP members, some of whom fear changes to the political system may end their parliamentary careers indicated yesterday that they want Mr Ozawa questioned in parliament about the hackground to the construction company's Y5m donatioo.

deficit warning

MR Ralph Willis, Australian

finance minister, warned yes-

terday the federal government

may have to introduce addi-

tional revenue-raising mea-

sures to meet its budget deficit forecasts, although he added

this would be done with reluc-

tance. Nikki Tait reports from

Sydney. "It will require con-

stant government vigilance to

keep the deficit under control,"

he said in a speech to the Eco-

nomic Society of Australia. "It

may also involve some revenue

Australian

#### The ruling for Citibank, hit banks and some large manucent but much lower than the union demand of 15.7 per cent. by staff demonstrations and facturing companies as a result industrial action since late Anti-corruption official

sacked in Hong Kong

beart of the dispute.

in Hong Kong

A SENIOR official of Hong Kong's Independent Commission Against Corruption (ICAC), the anti-corruption watchdog, was yesterday dismissed without explanation. Mr Alex Tsui, the commis-

sion's dsputy director of operations, was sacked with immediate effect following an internal probe, the ICAC said in a brief statement, it would not specify the nature of the inquiry but he has been under investigation for some months. The dismissal of Mr Tsui, the

the commission in 1974, comes at a time of heightened concern in Hong Kong about the rise in corrupt practices, espe-cially those involving business dealings, and mainland Chinese parties.

Fear of increased corruption is the issue people in Hong Kong worry about most as they prepare for China's sovereignty in 1997. In the first nine months of

this year complaints about husiness corruption in Hong Kong rose by 51 per cent to 1,341 complaints. Recently Mr Bertrand de Speville, the commissioner against corruption, most senior ICAC official to be said the ICAC was investigable's Procuratorate to increase sacked since the founding of ting 40 cases involving main-liaison and co-operation.

individuals. A recent ICAC survey had

istry's intervention in the dis-pute would hand down a a vic-

tory for union members, since

the ministry has been promo-

ting the idea of an employee welfare fund since 1991.

The government wants com-

panies to use part of their pre-

tax profits to establish a fund that would finance employee

benefits, such as low-interest.

housing loans. Proposed as a way to slow high wage demands, the fund has been

accepted hy most domestic

found that corrupt business practices may represent 3to 5 per cent of the cost of doing husiness in China. But respondents to the survey said this was bearable and did not amount to a distucentive to do business there.

Late last month Mr de Spev-ille held discussions in Guang-dong and Beljing with senior government officials about cross border corruption and its prevention. He came away with an agreement from Guangdong's Provincial Peo-

#### NZ split over 'dry' minister

the fund because its workers

are already among the best-paid in the Korean hanking

industry and are provided with

a compensation package that is more generous than that offered by local banks.

Several other foreign banks,

including Westpac, ABN-Amro and Bank of Boston, have suf-

fered labour disputes over pay

differences and compensation

policies. High wage growth has been blamed for falling profits at most foreign banks, which

have also been hort by the eco-nomic slowdown and a loss in

MR JIM Anderton, leader of New Zealand's Alliance party, which holds the balance of power in the new parliament, cannot work with Finance Minister Ruth Richardson, he said yesterday, Terry Hall writes from Wellington.

Ms Richardson was regarded as a leading "dry" in cabinet, and has been largely blamed by opposition parties for helping push through sweeping reforms in social welfare. heelth and other areas. "Ruth is all for pushing on while the country wants to take its foot off the accelerator," Mr Anderton said. The prime minister has refused to comment on the likely shape of the new cabi-net, to be formed after 200,000 special votes are counted next

THE US and British governments signed an unprecedented agreement yesterday establishing a joint US-UK team of police officers to investeam of police officers to inves-tigate fraud and financial crime in Britain's five depen-dent territories in the Carlb-

The accord to establish the joint investigation unit, to be

Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat and the Turks and Caicos Islands as a base for financial fraud against

Under yesterday'e memoran-dum of understanding, signed in Washington, two detective inspectors from the Metropoli-tan Police will join Federal Bureau of Investigation agents The accord to establish the joint investigation unit, to be based in Miami, follows growing US concern over the use of involved in intelligence and

evidence gathering in cases of white collar crime. They will begin work nn

about 50 outstanding cases of white-collar crime. These usu-ally involve victims in the US. In most cases if prosecution is obtained it is likely to take place in the US. One example of the type of cases involved would be where

ment. According to British for-eign office officials, the agreement has been welcomed in the territories because they see that their financial sectors are worthless shares lodged in a attracting criminals would risk London bank were used as the driving away good business. Mr Mark Lennox-Boyd, par-

done here."

four times the value of their declared assets. the aim of the agreement was threefold: to catch existing The territories are depending criminals, to dissuede others on the growth of the financial from using the territories as a services sector as an important base for fraud and to develop local expertise in tackling white-collar crime.

part of their economic develop-This will be the first time US officials have been given law enforcement rights in the dependent territories, although there is already co-operation and information sharing between police forces there and the US on drugs trafficking

#### basis for launching an insur-ance company in the US, where they could insure up to liamentary under-secretary of state at the foreign office, said UK cools hopes |Leyland Daf workers win £10m compensation deal By Richard Donkin The Tribunal issued a strongly worded verdict which criticised the receivers from Arthur Andersen. It said: "It is Receiver Mr Murdoch McKil-

were fighting to keep the husi-ness alive and there had been

no alternative hut to issue

large scale redundancy notices.

SACKED workers at Leyland Daf, the former Anglo-Dutch truck maker, won compensa-tion technically worth about £10m yesterday when an Industrial Tribunal censured receivers of the company for ignor-

ing employment laws.
Unions were claiming a "famous victory" for the 2,400 workers who were made redundant unlawfully because nei-ther their employers nor the receivers who took over in February gave them the statutory 90 days notice.

lop said: "We had to use what limited funds that were available to save what was left of very surprising that the administrative receivers of eminence the company. The alternative was complete closure." The Leyland Daf case mirrored a involved in this case should fail to meet their statutory successful claim by 700 former obligations so repeatedly and workers of Swan Hunter shipso lamentably as they have yard who were awarded £1.5m The receivers argued yester-day that at the time that they moved into the company they compensation in September.

Mr John Allen, the AEEU's chief negotiator at Leyland DAF, said the union had established an important principle. "Companies and receivers will in future have to obey the law or face the consequences."



Mr Kenneth Clarke, chancellor of the exchequer, pictured in Downing Street, as figures showed that the recovery was still patchy across Britain ahead of the November 30 Budget. Details Pg 8

of European roads expansion

By Charles Batchelor, ransport Correspondent

THE DEPARTMENT Transport yesterday sought to play down suggestions that an of amhitious pan-European road network recently agreed by the European Union would lead to large-scale apending on new roads in the UK.

Mr Robert Key, roads minister, said there was no financial commitment on the part of the British government to fund improvements to the road network as part of the Trans European Road Network. He was speaking at the conference of the Permanent International Association of Roads Congresses, in Brighton.

The EC Council of Ministers last month approved the designation of a 50,000-kilometre road network in Europe of which nearly one-quarter would require new building or improvement. A total of 200 sections of road, involving spending of Ecu120bn, have been identified in the plan, Mr Alfonso Gonzalez Finat, EU head of transport infrastruc-

The road network plan does not involve a financial commit-

THE LONDON Stock Exchange

will announce today that it is appointing Mr Michael Law-

rence, the finance director of

the Prudential Corporation, the UK's biggest insurer, as its

His appointment ends an

eight month search, following

the dramatic resignation in March of Mr Peter Rawlins,

who took responsibility for the collapse of the Stock Exchange's Taurus project to

reform its share settlement

It is one of the most impor-

tant City of London appointments for many years. It comes at a time of widespread

debate about the Exchange's

Following the humiliating

new chief executive:

ment from governments but is intended to encourage them to back a pan-European network. The EU will provide funds through the European Invest-ment Bank and other organisations, he said.

The announcement of the road network has created considerable interest among local authorities in the UK. But the Department of Transport is keen to play down expectations of higher spending. The UK already contributes more to EU transport funds than it gets back, the conference was told.

The UK is unwilling to provide guarantees for private spending on projects so increased lending by the Euro-pean Investment Bank would necessarily lead to more EIB money being spent in the UK said Mr Henry Derwent, highways policy director at the

He also warned against assuming that the European road network would automatically lead to the harmonisation of road signs. The UK is in favour of the European road network but can only agree to take it into account when deciding its road-building pri-orities, Mr Derwent added.

#### Exchange | Overseas appoints claimants new CEO race curbs

By James Blitz

MR PETER LILLEY, the Social Security Secretary, has called for an investigation into how overseas visitors to Britain can be restricted from making

Mr Lilley has requested the Social Security Advisory Council (SSAC), a government advisory body, to consider draft-legislation which would pre-clude persons from abroad from receiving housing benefit or council tax benefit if they

Social security officials say that, at the moment, foreign visitors can change their residential status in the UK to qualify for new benefits. They say that the SSAC has been

collapse of Taurus many. City practitioners believe that it should withdraw from settlein recent months, ministers have claimed that "foreign

that another leading contender for the job was Ms Jane the UK. In a speech to the Tory party conference last month, Mr Lil-ley highlighted the issue. "We have all too many home-grown Barker, the Exchange'e highly regarded finance director. However it is understood she never allowed her name to be considered and may leave the Exchange for reasons uncon-

claims for state benefit.

were not permitted to on enter-ing the UK.

asked to look into ways to prevent this.

have claimed that "foreign scroungers" have made considerable claims on the eocial security hudget. From next spring, housing benefit will no longer be available to foreign claimants. The government also plans to impose a residency qualification on EC nationals who claim herefits to ment services altogether. They believe that the Exchange should not be the ultimate owner of the Crest system which is planned to succeed the current arrange-It had been widely rumoured nationals who claim benefits in

scroungers," he said, "but it's beyond the pale when foreigners come here expecting our nected with the appointment of the new chief executive.



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culture, there is a buzz. The sound of new ideas - music, theatre, film, art, clothes and travel The exuberant expression of youth and the more reflective voice of Europe's elder generations. It is everywhere and you can find it in the Elan section of Europe's newspaper. Every week we review, discuss and inform - our listings section is comprehensive. Elan is an invitation to colebrate Europe's vibrant culture. Jump at it! Europe is changing. Are you standing still?



### Manchester ready 'for new games bid

By Ian Hamilton Fazey

MANCHESTER yesterday took the first steps towards bidding for the 2002 Communwealth Games. Staging them would ensure a national stadium was built in the city and would be the springboard for another attempt to host the Olympic Games, this time in 2004.

Organisers of the failed hid for the 2000 Olympics have started urgent talks with potential private sector backers and sporting interests. If a consortium can be formed, the Commonwealth Games Federation for England will be asked to make Manchester its candi-

date in February. The final choice from all candidates world-wide will be in two years' time. Manchester city council said that although

many recent Commonwealth Games had lost money, media rights would be more attractive after South Africa's readmission to the games. The continuing emergence of competitive countries such as Malaysia and Kenya were also factors in making the games more

attractive to TV companies. The Commonwealth Games will also be seen as one means of celebrating the Queen's golden jubilee: she ascended

the throne in 1952. A site for the stadium has heen cleared and there is strong support to build one anyway - seating 60,000 people. This would be hig enough for the Commonwealth Games but the design would be expandable to 80,000 seats if the city were to bid again for the Olym-

### AT&T favoured over BT, survey shows

CORPORATE customers of British Telecommunications believe that AT&T, the US telecommunications giant, would provide a better all-round service than BT if allowed to compete in the UK, according to an industry survey to be published

The Telecommunications Users Association, which represents more than 1,100 users across the public and private sectors, said the 1,000

respondents believed AT&T had the "strongest set of credentials" to compete in the UK, and was rated above BT on three out of five performance

The survey is a significant boost to AT&T in its attempt to gain a licence to compete with BT in the UK. Its application is being considered by the government.

Although user perceptions of AT&T depend to some extent on reputation alone, the association stresses that a large proportion of respondents has already dealt with the US operator, either through US offices or through other services

AT&T provides in the UK. Ms Vivienne Peters, the associa-tion's chief executive, said: "BT is going to have a tremendous fight on its hands if AT&T is given a licence and takes the UK seriously. It will be good for UK companies."

AT&T was rated ahead of BT on

customer service skills, value for money and understanding the busi-

higher on reliability and financial stability.

Two-thirds of the respondents believe that BT and Mercury have become more customer-focused, with strong support in particular for new billing arrangements. But 41 percent of BT users and 27 per cent of Mercury users reported "recurring faults" over the past year. Nearly a third of Mercary users reported a "major loss of service" over the past year, compared with 22 per cent of

managers was felt to be a shortcoming with BT. Most respondents said account managers were influential in their perception of the network operator: "Frequent changes in account managers mean that cuswhere the BT manager fully under-

stood the business organisation." Although competition was weicomed, most users felt discount schemes were becoming too com-

HOW UK BUSINESSES RATE RIVAL TELECOMS

> out of 5 3.97

### Japanese boost for Thorp plant

By William Dawkins in Tokyo

JAPAN has reconfirmed its commitment to the use of plutonium for nuclear fuel, in an encouraging sign for the £2.8bn Thorp nuclear reprocessing plant in Cumbria. The commitment, restated in

the Japanese government's annual report on atomic energy, indicates that the country is likely to honour contracts to buy reprocessed fuel from the plant.

Japan would be Thorp's big-

gest foreign customer, if the plant wins approval from the A decision is expected

The Jananese Atomic Energy Commission report said recycl-

A computer virus sparked a safety scare at a nuclear power The Yankee virus signalled its presence when a personal computer at Sizewell B in Suffolk started playing the tune Yankee Doodle Dandy, Computer Weekly magazine said.

ment" in the country's energy policy, citing the country's scarce ustural resources and heavy energy consumption. It aims to lift nuclear-gener ated electricity from the present 28.2 per cent of electrical power capacity to 40 per cent

Station operator Nuclear Electric dismissed one man for

over 20 years.
A fledgling environmental movement, which includes

introducing unauthorised software into the site and the Government'e Nuclear Installations Inspectorate was alerted. the journal reported.
It quoted Richard Ford, edi-

tor of Virus Bulletin newslet-

ter, as saying the virus thought to have originated in Bulgaria – is not serious but takes time to eliminate. members of parliament from four of the seven ruling coalition parties, is lobbying for an end to plutonium imports

because Japan has a surplus. They fear that weapons-grade

material could fall into the

wrong hands. But the report says Jepan will have a plutonium fuel shortage until the end of the decade, when its own repro-Stocks now stand at 4.5

tonnes, of which 1.6 tonnes are stored in Japan and the rest at reprocessing plants in France and Britain. They will be consumed at a prototype reactor at Monju, on Japan's west coast, due to start operation next

spring. Officials estimate that stocks will last about three years, after which Japan will have to import another shipload of plutonium from Britain or

In January Japan shipped 1.1 tonnes of plutonium from a reprocessing plant owned by Cogema, the French nuclear fuels group, causing an international outcry from environ-

### **National Power expects** to close coal-fired stations

NATIONAL Power, the electricity generator, expects to close about 10 coal-fired power stations by the year 2000. The news comes as a severe blow to Britain's beleaguered coal industry.

The closures may leave National Power with only eight coal-fired stations. It now operates two dozen power plants, including those fired by gas and off.

Most of the remaining coalfired stations would be running at considerably less than full capacity, the company National Power's gloomy prognosis underlines the diffi-culties the government will have privatising the coal industry. With the coal market shrinking, ministers may struggle to find buyers. National Power yesterday

identified only two of the doomed power stations, Thorpe Marsh in South Yorkshire and Staythorpe in Nottinghamshire, saying both will shut next spring.
Mr John Baker, chief execu-

tive, said plants at risk were the smaller ones which are less efficient and can be more easily run at partial load. Typically they employ

Plants likely to survive through to the next century are thought to include Drax and Eggborough in North Yorkshire, Westburton in Not-tinghamshire, Didcot in Oxfordshire, Rugeley in Staf-fordshire, Aberthaw in South

Glamorgan, Tilbury in Essex and Ironbridge in Shropshire. In a further setback for Brit-ish Coal, Mr Baker said National Power's coal stocks were down just 1m to 18m tonnes in the half year and it was unlikely to buy additional coal this winter.

Results, Page 16

### Pretoria in talks with BAe

By David White, Defence Correspondent

BRITISH AEROSPACE is holding discreet talks with South Africa on a possible contract for the Hawk military jet once the UN lifts its embarge on defence sales to Pretoria.

A deal would involve either snpplying UK-built Hawks, which are designed both as trainers and as light combat jets, or licensing their con-struction in South Africa.

The company would not con-firm that it was in negotiations with the state-owned South African group Denel. Any deal is not possible under the present circumstances.

Contacts have already been held at government level on opportunities for UK defence companies if the embargo is lifted following South Africa elections next year. At the same time, BAe is

negotiating with Saab-Scania of Sweden to become a partner in the JAS 39 Gripen lightweight jet fighter, made by a Swedish consortium.

The UK company, which provided the first wings for the aircraft during the development phase, is discussing component supplies as well as an overseas marketing deal.



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### Britain in brief Commercial



#### **Employers** find patchy recovery

Further evidence that the UK is experiencing a patchy and uneven recovery emerged yes-terday in the latest survey of regional industrial trends.

The survey, produced by the Confederation of British Industry, the employers' organisation, and Business Strategies Ltd, a regional economic consultancy, showed that differences in demand have produced mixed fortunes for manufacturing across different regions. Overall, UK manufacturing orders and out-put changed little in the four months to October. But orders for companies in the West Midlands and Scotland increased sharply while in Northern Ireland and the south west they fell.

#### 7.9m holidays sold in summer

Travel agents sold 7.9m sum-mer holidays this year, the highest level since 1988, according to Lunn Poly, the largest retail travel chain. Last summer's figure was 8 per cent up on the 7.3m holidays sold

the previous year. Mr Richard Bowden-Doyle, Lunn Poly's marketing director, said this year's increase was the result of the poor UK mer and competitive pricing. He said the increase also appeared to reflect holideymakers' confidence that the

recession was ending. Spain was the top-selling summer destination this year accounting for 38 per cent of the market, up four points on last year. Greece was second although its share dropped to 17 per cent from 20 per cent in 1992. Austria and France are expected to account for 29 per cent each of the eki market this winter, compared with 36 per cent each in 1992-3. Italy's weak currency is expected to boost its share of the market.

#### IR attacks creditor plan

The Inland Revenue criticised proposals by the Department of Trade and Industry that threaten its preferential status as a creditor to companies in financial difficulties.

It argued that its priority ranking above other creditors was "necessary" and wanted it to be maintained in any changes to insolvency legislation. The comments were in response to a DTI document which called for an overhaul in existing procedures for company voluntary arrangements and administration orders. The document said that some countries are eliminating or reducing the number of preferential tax creditors.

Banks maintained their tentative support for the proposals, which would require them to lose some of their rights as priority creditors by abiding by CVAs and giving a company seven days' notice before appointing receivers.

### vehicles up

New commercial vehicle sales rose by 44 per cent in Octobedic the second consecutive monthly increase

The commercial vehicle sector has taken much longer than the car market to emerge from recession, but there are growing signs that a recovery is now under way.

New commercial vehicle registrations rose to 16,148 last month from 15,465 in the same month a year ago, while registrations for the first ten months of the year at 169,359 were still 22 per cent lower than a year earlier, according to figures released by the Society of Motor Manufacturers

The first signs of recovery came from the heavy truck segment of the market late last year, as hauliers began to replace ageing fleets, but in the last couple of months demand for medium-sized vans has also begun to pick up, albeit from n

#### Radio station loses licences

owned by two of the major companies in the industry, Capital Radio and GWR, bas lost both its broadcasting

当年 (400円の)

12:11:2

7.30

2 2. g.w.

The Radio Authority decided not to renew the licences of DevonAir wblcb broadcasts in the Exeter and Torbay area of Devon. Instead both FM and AM licences have gone to Gemini Radio.

#### Lone parent benefit row

Conservative MPs yesterday urged the government to press ahead with its examination of ways to cut state benefit to single parent families after new data revealed a sharp rise in the number of lone mothers claiming social security in recent years. Statistics showed that the number of lone parents claiming Income Support, one of the major benefits dis-bursed by the Department of Social Security, bad risen by more than 38 per cent in the last 5 years.

The figures coincided with a row in Westminster over whether ministers were planning to cut state benefit to lone parents to reduce the social security budget.

#### Rail incentives for companies

Private companies running train services could qualify for incentive payments worth up to hundreds of thousands of pounds if they meet punctuality and reliability targets.

The proposals to reward improved performance are contained in the government's draft objectives for the franchising director, which were published yesterday. The franchising director, Mr

Roger Salmon, e former director of NM Rothschild, the UK merchant bank, will be able to use part of bis budget to reward rail operators which improve punctuality and reliability of train services. The franchielng director will be responsible for deciding who will run the 25 franchise created under the government's rail privatisation plans.



American Express has launched its first global

campaign for five years, writes Diane Summers

Famous faces

### Ducking the price wars

Price wars are growing so common in businesses from grocery retailing to personal computers and telecommunications that, for many companies, joining in has become a pre-requisite of survival.

However, an article in the current McKinsey Quarterly argues that price wars should - and often can - be avoided. Indeed, it says, preventing them should be a cardinal rule of marketing.

Almost invariably, the resulting losses outweigh any gains. for a typical, publicly quoted US company, McKinsey says, a one percentage point cut in prices translates into a 12.3 per cent

drop in profit.

That fall can be reversed only if sales volumes rise 4 per cent. Yet in most businesses, a 1 per cent price reduction is unlikely to generate more than a 2 per cent increase in sales.

Furthermore, price wars rarely squeeze competitors out of the market or discourage new entrants. Instead, they undermine premium pricing structures and discourage consumers from paying a premium for higher quality

McKinsey says most price wars result from misjudgments, not from deliberate strategy. Most are over-hasty reactions to flawed information about what competitors are up to, or a mis-reading of their motives.

For instance, an unnamed US food manufacturer recently triggered a price war which destroyed all this year's industry profits because it assumed that a 10 per cent price cut by a competitor was intended to win mar-ket share. In fact, the competitor was simply selling off a discon-

tinued line cheaply. As well as ensuring that their commercial intelligence and competitive analysis are sound, companies can avoid price wars by emphasising product benefits to customers. .

If a price war starts, companies should seek quickly to lock big customers into long-term contracts. If that fails, McKinsey says, the last resort is to match ompetitors' tactics with aggressive tit-for-tat retaliation.

Guy de Jonquières

The film shows Anita Rod dick. Body Shop founder, striding around the jungle, discussing her way of doing things: "Trade not aid for us is a real symbol. It's about trading in the developing world, setting up commercial initiatives with indige-nous peoples. We don't change the environment, we don't touch the culture. I'd rather promote human rights . . . than ever promote a bubble bath.

Misty rainforest shots are interspersed with indigenous peoples going about their business, ethnic music and then — shock — Roddick starts talking about her American Express card. I travel a lot, I'm in bizarre places, I'm in unsafe places, I need to get in and out. What I use for that is American Express. There is no option, there is no dehate.". It is comforting to know that even in the depths of the rainforest one

need never be embarrassed by a shortage of cash or having the wrong piece of plastic.

The 60-second, lavishly shot Roddick TV film, which is initially being shown in the US, is part of a vast global advertising campaign the first by American Express for

five years - currently being unleashed on the world. In the UK alone, £10m has been earmarked for the advertising, which is already under way; by next year the ads will be showing in up to 30 of Amex's main markets. Overall costs are not being disclosed - all the company will say is that "invest-ment is very large". Currently, the American Express card is placed well behind the two leaders globally, Visa and MasterCard, in charge volume - value of sales and

cash advances made on the cards.

hailand can be a difficult place to launch a

business in Thailand, the A stands

for assassination. Yet Carlsberg,

the Danish brewer, has succeeded this year in pushing its way into the potentially lucrative Thai beer

market in the only way possible:

with the help of a powerful local

a recent A-Z guide to doing

mass-market product. In

fit the bill

different in each case. Amex has selected people it considers to be recognicable "local business heroes". They each talk to an unseen interviewer about their achievements, vision and how their businesses are run. Snatches of film, clearly shot on no-expensesspared locations, illustrate their points. It is only towards the end of the films - which are closer to "advertorials" than conventional ads - that the beroes explain their

Each of the ads - there will be

about 50 in all - follows an identical format but the national content is

attachment to American Express and the card makes its appearance. Noticeably absent is information about membership fees and the like. According to Aldo Papone, special adviser and a director of the company: "We have always built on has it, rather than its fea-

In view of the current beated competition between card-providers in the US, which is being mirrored elsewbere, this is perhaps just as well. The latest feature of the card

wars is a flurry of "customer loyalty" schemes. In the UK, for example, where Amex has Im of its almost 37m cardholders, the company last month launched an air travel and hotel accommodation points scheme. The scheme will cost £20m over the next three years in marketing and administration io

the UK. That came within a few days of the first launch by a UK manufacturer (Vauxhall, the General Motors subsidiary) of a mass-market credit card, which also provides discounts on the purchase of Vauxhall cars. Save and Prosper, the financial services group, is another to have recently offered a new, low-interest

Papone lists the qualities Amex was seeking in their "local beroes" as including: conviction, pursuit of ideals, learning from failure, hard work and success - in terms they define for themselves. They must be able, of course, to sing the praises of the American Express card through personal experience, as well as recommending it as a way to pay in their establishments. The whole thrust of the campaign is away from former elitist images and towards what Papone calls the gentler "emerging value of the 1990s". Amex's choice of the heroes is

weighted towards restaurateurs and hoteliers and includes, in the UK, Richard Shepherd and the ghost of the late Peter Langan of Langan's restaurant, and Mike Gooley, founder of the travel company Trailfinders, Most familiar is Sir Terence Conran, the eclectic designer, who is filmed cooking. cycling and at his Loodon restau-rants before giving his endorsement to the "classic green card".

Besides Roddick, the US advertisements feature Charles Lazarus, founder and chief executive of Toys R Us, and Jean-Louis Dumas, chairman of luxury goods company Hermes. The latter is seen surrounded by the luxury materials of his business as he extols the virtues of his products. "I'm emharrassed to speak about a scarf like a still-life piece. A scarf is only good when it moves around," he intones to the



sound of violins. "We give birth to the product, the customer gives life to it." For the beoefit of those who can afford it, he coocludes: "American Express, it is s very good way to pay at Hermes".

Italian advertisements feature Roberto Scio, from II Pellicano, the Portofino hotel, and Ninetta Ceccacci Mariani, owner of the Rome Checchino restaurant, Cerman local beroes include Ruediger Kowalke from the Hamburg Fischereihafen

restaurant and in Japan, Kvoichi Egashira from Royal Host restau-

All the ads, says Shelly Lazarus, president of Ogilvy & Mather New York, the advertising agency which has been responsible for the campaign, were unscripted. They were also unpaid - ao arrangement which is not likely to have left the heroes dissatisfied, given the mas-sive plugs they received for their

## A potentially explosive brew

Carlsberg has entered the lucrative Thai beer market, writes Victor Mallet

of Bangkok in May, the market was dominated by Boon Rawd Brewery - whose Singha brands accounted for nine-tenths of the Amarit's Kloster and Amarit

Carisberg has broken into the

Charoen Siriyadhanabkhadi, an

businessman. He produces and

market by teaming up with

influential ethnic Chinese

There was never any doubt about the opportunities. With the economy expanding at an average of 10 per cent a year, beer As Thais have become more prosperous, they have increasingly taken to drinking beer, regarded consumption has tripled to more than 330m litres a year in the last as a western, up-market product, five years. Per capita consumption instead of the cheaper, rum-type is still low and Carlsberg beverages known as "whisky". executives believe the market will But Boon Rawd and Thai Amarit continue to increase by 25 to 30 have hitherto controlled the beer per cent annually. distribution networks and imported beers are heavily taxed.

The challenge for newcomers has been to loosen the stranglehold of Thailand's duopoly of existing brewers. Until Carlsberg Brewery (Timiland) began production at its new \$80m (£57m) plant north

popular Thai whisky and therefore has a ready-made distribution network across Thailand, as well beer sold in the country - and Thai as an interest in branching ont as beer consumption rises.

Charoen, his wife Wanna, Crown Prince Frederik of Denmark and Carlsberg's managers celebrated the new partnership at a lavisb ceremony at the brewery last month. "Yon've got virtually 100 per

cent distribution [of Carlsberg] because of their whisky," said Michael Iuul, Carlsberg International's managing dire "If you're starting from scratch you have to work much harder to get penetration.'

Charoen has demanded a high price for his part in the business. He and his local partners own 90 per cent of the joint venture and they say they may use a second brewery to be completed by the partnership next year to produce their own brand as well as - or even instead of - using it to make more Carlsberg.

Carlsberg executives regret failing to secure a larger share, but console themseives with the knowledge that Carlsberg receives royalties for the use of its name and technology. The Thai operation also fills a gap in Carlsberg's network of Asian operations.

Early indications are that Carlsberg is selling well in Thailand and has seized about a fifth of the market. The new brewery, which can prodoce 1m hectolitres a year, is working at

Plant by sealed tender and sale negotiations procedure.

the General Directorate of Sumer Holding A.Ş., at the address below.

excluding the receivables and liabilities and inventories of the plant at that date.

are entitled to or shall be entitled to by the labour law and the collective agreement.

THE PLANT TO BE SOLD

Tarsus Textile Dve Industry Plant.

full capacity and Carlsberg says it has only three days of stocks. Heavy advertising has belped Carlsberg in Thailand believes it will spend between 30 and 40 per cent of the \$10m being spent by Thai brewers this year on

television and other main media

and the brewer bas matched

Singha's 6 per cent alcohol content to suit Thai tastes. But Charoen's distribution network is vital. Launches of other beers bave failed in the past because the product was not widely

available. Boon Rawd is patting up fight. Its advertising emphasises nationalism and positions the product as a local beer in contrast to Carlsberg's International image.

Carlsberg has been obliged to

ANNOUNCEMENT FROM

SÜMER HOLDING A.Ş.

As a part of the privatization programme Sumer Holding A.S. Offers for sale its Tarsus Textile Dyc Industry

1. The Information Document and sale specifications of the above plant is available for a fee of TL 250.000, at

2- The plant shall be transferred to the buyer "as it is" at the date of signature of the purchase agreement,

4. The offerors are required to provide an irrevocable, unconditional (payable at first demand) tender bond for an amount of 3.000.000.000 Turkish Liras and valid for a period of at least six months to the below address

Ulus/ANKARA, not later than 3 P.M. (on December 28, 1993). Delays in post shall not be accepted.

The buyer shall be wholly responsible for all the liabilities arising from the rights and payments which the

employees working under labour law 1475 and whose numbers are specified in the Information Document,

of the General Directorate. Offers prepared in compliance with the sale specifications should be submitted to

the Correspondance Department of Sumer Holding A.S. General Directorate at Cankin Caddesi No: 2

Summer Holding A.Ş. is not subject to the restrictions specified in the State Tender Law No. 2886 dated 8 th September 1983 and reserves the right to decide whether or not to sell the plant and to extend the deadline of

take the unusoal step of producing own hrands of bottled soda water and still water; these are essential mixers for Mekong whisky and Chargen feared that Boon Rawd, hitherto the main soda water manufacturer, would threaten to withhold supplies from retailers who accepted Carlsberg beer on their shelves. The rivairy between selling agents on the backstreets of Bangkok and other towns was described by one Carlsberg manager as "fairly violent".

Carlsberg's European executives are painfully aware of their dependence on Charoen, but know they could have entered the Thai market only with the help of somebody like bim.

Asked if Charoen could market Carisberg in the face of stiff resistance from Boon Rawd, one manager described Charoen as "resourceful" and pointed ont that cornering the whisky market in Thailand - as Charoen bad done was not an achievement for the faintbearted.

AMOUNT OF TENDER BOND

TL. 3.000.000.000

#### **PEOPLE**

#### Sears changes its finance director

Stephen Park, finance director of retailing group Sears and Liam Strong's first big appointment after he became chief executive in 1991, has resigned with effect from the beginning of next month. He will be replaced by David Defty (right), deputy finance director at Grand Metropolitan.

A company source says Park, who was headhunted in June last year from Hanson where he was Lord Hanson's personal assistant, had been having discussions with Strong in recent months. "He and Liam agreed that it just wasn't coming together in the way they had hoped. They decided it was bet-

ter for them to part company." Park, who had been finance director of Hanson's Allders division and later responsible for strategic planning, acquisi-tions and divestments, is said to have "two or three other irons in the fire". He will receive an undisclosed severance package. Defty, 48, has what Sears calls a "solid record in financial management of well-regarded companies". He began his career at Philips Electrical, and joined Colgate-Palmolive in 1968 where he held several senior positions including director, corporate finance, New York. After leaving in 1984 he worked as finance director at Guinness and Woolworths, and joined Grand Metropolitan in 1983 as finance director of the IDV drinks divi-

He became deputy group finance director of GrandMet in March last year. Sears, which found Delty through an executive search, said his experience in the US and in several "customer-orientated" businesses fitted him well for his new post.

Sears does not expect Defty's appointment to lead to any changes in accounting policy; it has worked hard in the past few years to make its accounts more transparent.

Sears is also beefing up its

board through the promotion of two new directors, lan Thomson, 47, managing director of Sears footwear business British Shoe Corporation, and Rod Taylor, 40, director of group human resources. The board has seen its numbers depleted by a series of management changes in the past two

Taylor's association with Strong goes back to Strong's days as director of marketing and operations at British Airways, when Taylor was his human resources general man-ager. Thomson joined Sears in September last year from South African retailing group Edgars Stores.

Non-executive directors

■ Craig Tedmon, vice-president of ABB Asea Brown Boveri, at BOC GROUP. Robert Paine, deputy chairman of Scholes Group, as chairman of BRITISH BUILDING & ENGINEERING APPLIANCES. Lars Ahrell and Duncan Saville at The PHOENIX

TIMBER GROUP. Barry Field MP, newly appointed chairman of J.D. Field & Sons in succession to Edward Field, at GREAT SOUTHERN GROUP in which J.D. Field is the major

shareholder.

Peter Blood, a former chief executive of Britannia Shield Property Services and a director of the Staffordshire Family Health Services Authority, at JOHN TAMS GROUP.

Geoffrey Deith, chairman of Aynsley Group, at ARGUS ■ Mark Smith, a former vice-chairman at S.G. Warburg,

at The LAIRD GROUP.



■ Diana Courtney (above left), a partner in Denton Hall, at BRADFORD & BINGLEY

 Jean Solandt (above right), group md of treasury and trading at Schroders, at the WOOLWICH BUILDING SOCIETY.

■ Christopher Day and Mark ten Hove at JAKARTA FUND (CAYMAN); Peter Drew and David Harding have resigned. ■ Rodney Price, a director of Brierley Investments, at

Lord James Ramsay at DUNDEE AND LONDON INVESTMENT TRUST on the resignation of Roland Jarvis. E Rhys Williams, a former diretor of CEC, at EUROTHERM

■ Christopher Burnett, chairman of Fogarty and Moorfield Holdings, et MARSHALLS Edwin Thirlwell, founder and former chairman of Prontaprint Holdings, at

FLYING FLOWERS.

resigned from ASW HOLDINGS.

Sir John Sparrow has

THE GREEK ECONOMY FOCUS ON THE FUTU

the tender, if deems necessary.

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SUMER

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Organizer: AMERICAN HELLENIC

CHAMBER OF COMMERCE SOME OF THE DISTINGUISHED SPEAKERS

• Mr. Andreas G. Papandreou Prime Minroles of Green.

• "Mittackes Event.

Precisent of the New Damos • George Gennimates Minister et Notional Economy & Constantine Simitis

Minister of lagustry and Comm

Tannos Papantoniou Alternate Minuster of Nation
Andon's Samaras President of the "Patrile Area" Parts
Stephenos Menos

M.P. and Former Minester of National Econ • Effhymios Christodoulou lovernor of the Batik of Greece lason Stratos

Propident of the Fer Bruce Millan EC. Commissioner for F

Norman Lamont House of Commons, Great November 30th, December 1st and 2nd 1993 4th ANNUAL CONFERENCE

Hotel Athenaeum Intercontinental Athens.

# Today's & Tomorrow's Perspectives

A Major Meeting with the participation of The Greek Government

The scope of this year's meeting is to gather a distinguished group of speakers to discuss, in depth, the long term and short term reforms in Greece with the participation of new cabinet officials of the Greek Goverment, members of the Opposition and key figures from international organizations in Europe and the U.S.A.. Topics will include macroeconomic, industrial and trade policies, issues of competitiveness, the privatization process, priorities of the Greek Presidency in the EC and the European Community Funds and prospects for investments in Greece.

Tel.: +36 23 231-3, 36 11 692, 36 36 407

Fax: + 3610 170, 36 20 995, 36 26 433

The participation led is GBP 850 or \$ 1350 and includes hotel accommodation for three nights, simultaneous translati

luncheons, dinners etc. and conference documentation, Ms. Neclaria Passarivaki, American-Hallenic Chamber of

Commerce, 16 Kanari Street, 106 74 Athens, Greece,

#### Thinking about local government chairman had already been announced, are: Michael Carr, Labour leader of Middlessuggest solutions. The organisation has nine

commissioners who will over-see its work and draw up its

recommendations. Apart from

Brian Redhead, 63, who steps down as presenter of the Today programme in a few months time, is to be chairman of a new think tank which will investigate the state of local government in England and Wales.

Redhead, who has become one of Britain's best-known radio broadcasters during his 18 years on the Today programme, is no stranger to controversy and his new post will give him a chance to contributa to the sometimes acrimonious debate about the reform of local government in Britain The new think-tank, which is

called the Commission for Local Democracy and will have a two-year life, has tried to guarantee its independence by not taking funding from either local or central government. It has raised funds from a number of sources including Unity Trust Bank and the Municipal Journal. David Clark, 36, director of

friends and we hope we can

beset local government and

Redhead, they include Roger Jefferies (formarly an under-secretary, environment department, and chief executive, London Borough of Croydon); Steve Bullock (former Labour leader of London borough of am), Jane Clark (former Liberal leader of South Somerset District Conncil); Gareth Gimblett (former Conservative leader of Berkshire County Council); Simon Jenkins (for-mer editor of The Times); Gerry Stoker (Professor of Politics, Strathclyde University); Kieron Walsh (Professor of Public Sector Management,

Sally Witcher (director, Child Poverty Action Group). Lord Walker, the former cabinet minister, yesterday announced the membership of the board of English partnerthe new body, says that local democracy is in "need of ships, the government's new. urban regeneration agency contribute to its strengthening in future". The aim will be to analyse some of the ills that

Birmingham University) and

which he chairs. Joining Sir Idris Pearce. chairman of English Estates. whose appointment as deputy

brough council, chairman of Middlesbrough City Challenge board and a member of the Teesside Development Corporation; Bill Jordan, president of the AEEU craft union; Stephen Massey, executive vice-president of Prudential Bache Securities, the investment firm; Dennis Stevenson, chairman of the SRU consultancy group, the Tate Gallery and GPA. David Taylor, chief executive, will be an executive director, as will Paula Hay Plumb, who comes to the agency on

January 1 as finance and administration director. She was previously involved with the Canary Wharf development in London's Docklands and was group financial controller in the team which completed the successful restructuring of the project to bring it out of istration.

Ray Morgan, chairman of Hall Harrison Cowley, has been appointed chairman of NATIONAL READERSHIP SURVEYS; Michael Mander has completed his term of

t is summer a few years' hence

By Bernai

CANAD: ground fi federal br are sugg could rea (£20.8hn) i ing March to the C dicted las ous Conse Estimate cit are ex

upwards to ected C\$35 Analyst: sions of th be followed from seve inces that meet budg

Trials and tribulations of drug harmony

Peter O'Donnell reports on the need for a standard approach to pharmaceutical testing

new drugs already appeals to

business managers as much as to research heads.

However, tha touchstone of

success will be how quickly the

new agreements can be put into practice in the three regions

Kessler has warned that cost constraints could prevent the FDA moving ahead "with the sense

of urgency that harmonisatinn

projects may deserve". Kaith Jones, director of the UK

Medicines Control Agency, has

responded that delay by any of

the three regulatory parties "would deliver little to industry

Saner, the EC Commissinn's head

of pharmacenticals, has drawn

a connection between the success

of the harmonisatinn programme

There is also a perceived need

to speed up the harmonisation

negotiations more efficient. As

"and its correct and swift

implementation in the three

process itself and make the

Japanese Pharmaceutical

Manufacturers Association

with this issue. But it took

Some Enropean industry

representatives at Orlando,

bounced into a deal which

resentful that they had been

tightened up testing requirements

for them, ruffled the feathers of

diplomacy by circulating a letter

long-term economic benefit, faster

drug development, fewer animal

But for many of the hundreds

complaining of decisions being

made "in a political climata".

Nevertheless, the process

appears set to continue. The

obvious motivations include

tests and better science.

of experts involved in this

discussions over the last three

increase in personal workload

vears, the satisfaction - and the

principal recompense for a heavy

network of meetings and

- is that of the ploneer.

our goal."

three-and-a-half years to reach

remarked on the development

of the stability testing guideline:

"At the beginning of the process,

we expected to obtain early results

or to patients". And Fernand

which are the motors for change.

iscussinn flared in Finrida last mnnth nver how much sun could get through the windnw of a Takyo pharmacy in high summer. This conundrum was just nne

item on the agenda of 1,600 sclentists from the pharmaceutical industry and health ministries around the warld who attended the Second International Cooference on Harmonisation nf the Technical Requirements for the Registration of

Against the improbable background of Disney World, the cream of the world's drug developers and regulators spent three days debating how an alignment of divergent natinnal testing requirements could hring new medicines unto the market more quickly.

At present, there is no standardised approach to checking how medicines stand up to light - which is why the Japanese Ministry of Health and Welfare was presenting detailed data on how it measured the exposure nf a drug stored near a snuth-facing window during a 14-day period in June.

Drug manufacturers face a daunting technical challeoge in bringing their new products nn to international markets. Differing regulatory demands from country to country oblige a company to perform new tests or present its data in different formats to satisfy each health authority.

With the average cost nf developing a new drug estimated at nearly \$360m (£238m), companies have a powerful incentive to eliminate unnecessary expenditure and delay - and one obvious route Is the rationalisation of testing requirements.

According to David Kessler. commissioner of the US Food and Drug Administration: "Science-driven harmonisation can curtall duplication and thereby reduce significantly the cost of new drug development - not just in dollars spent by the industry, but in risk-taking by patients, in experimentation with laboratory animals and in the regulatory effort of nur

After mure than three years of intensive collaboration, the health authorities and the pharmaceutical industry in the world's hig three drug development regions – the EC, US and Japan – are now starting to see the first results of their labours towards rationalised drug registration requirements. Cuts of 33 per cent in the cost nf stability testing have been claimed as the result of one of

the harmonisation measures announced in Orlando. A joint guideline nearing agreement on long-term toxicity studies holds out the promise of halving the length of some tests

Motivations include long-term economic benefit, faster drug development, fewer animal tests and

better science

without any significant loss of

Similar agreements are in prospect on a standard format for presenting clinical trials data, how to screen out potential cancer-causing agents, whether It is legitimate to transfer results between ethnic groups and the hundreds of other detailed testing standards that have pushed drug costs upwards and held back new product introductions.

These could be only the first steps. Drug regulators are now admitting, for the first time, that the prospect of a single standard application format worldwide is not entirely unrealistic, and that the road could even extend to joint review of new drug applications.

Given that the EFTA countries. Canada and the World Health Organisation are also involved in this harmonisation process and that many other countries wish to join in, the long-term benefit for companies introducing

and you want to lay on an outdoor grill. You call up the American barhecua page on your computer screen and the system linking your home with the local supermarket asks whether the meal will be for two, for several people or for a party.

You give your answer. It asks what sort of drinks, appetisers, main courses, side dishes and des-serts you want, even whether you want to use a food processor. All screen options are illustrated, some with videos. You tap in your preferences and recipes with ingredients and brand names and prices can be called up and printed nut.

You nrder the shopping electronically with a simple barcode scanning device or direct from the screen. The goods are delivered "hole-in-the-wall" in your home, or to a collection point at, for example

a nearby petrol station. It all sounds blissfully effortless, if somewhat soulless. However, a US study has shown that 64 per cent of people dislike going to the supermarket for their basic shopping, as many as hate going to the dentist. The figure is quoted by Andersen Consulting which has opened a \$5m (£3.3m) retail centre in the UK to demonstrate how technology can be applied to meet the

pace of change in the industry.

Named Smart Store Europe and located in Windsor, west of London, it shows some of the gadgetry and computer systems which are becoming available to the retail, distribution and manufacturing sectors. As well as shopping by screen, It gives an idea of what the automated. computerised store of the future will look like, from the check-out counter to the manager's office.

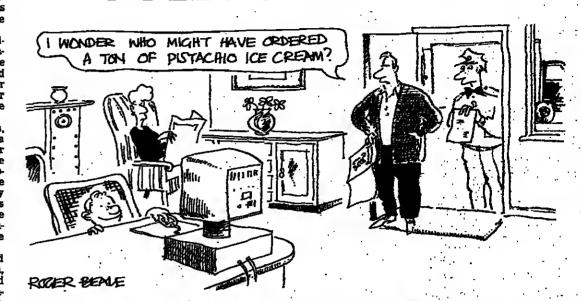
John Hollis, a partner in Andersen Consulting's UK practice and director of the Smart Store, believes the retail sector is about to experience a tremendous shake-up. "I see us going through such huge, turbulent changes in this industry in the next few years that just talking about it is not enough. There are real fundamental issues that the boards of companies will have to work through.

Evidence of change is abundant. In Germany, the Karstadt and Hertie store groups are discussing a merger to combat the effect of the shift in consumer tastes to niche and discount retailers.

Competitors are crowding in to the UK. Costco, the US warehouse club operator, plans a big, cut-price outlet in the east of England. Discount retailers such as Aldi of Germany and Netto of Denmark have invaded the food market. US-style factory outlet malls are also coming to the UK. Aware that their high profit margins cannot last, UK supermarkets have now embarked

High-street habits are changing with the advent of computerised shopping, reports Andrew Fisher

# Tapping into convenience



on a price-cutting wave. Such developments will make a big difference to the way people do their shopping. So will the changes in the telecommunications and entertainment industries, mainly led from the US; these have implications for shopping hy television (already a reality in the US), video links to the home and multimedia services combining sound, pictures

and computers. If people can have their basic purchases delivered, will they want to go shopping at all? Some will not. But most will want to see some of the goods they huy. Shops and stores are also places of social activity, the difference being between replenishment" and "enjoyment" shopping, in future, a person could enjoy a drink or a snack while browsing through lists of items on a screen and ordering hy scanner. Shopping trolleys will have video information about goods on offer and where they are to be found, as well as games to keep children

Advice on anything from building conservatory to clothing will be available from in-store computers. Managers' offices will also become more electronic. The one in Andersen's Smart Store has a terminal

with information about sales trends; this is duplicated on a pad computer which managers can carry around the store.

Managers don't have to be in the office," says Tamar Herman, a consumer products manager with Andersen. "The idea is for them to get close to the customer and man-age the workforce better." The computer would tell managers when hey needed to order more of a certain product and help work out labour schedules.

With better data, managers would be able to make more marketing and strategy decisions, says Her-man. "A common problem is that information gathered at the store goes up to the central office and comes back down in a stack of paper two weeks later."

The first company to visit the Smart Store in Windsor – there are others in Chicago and Sydney – was Marks and Spencer, the UK clothing and food chain. The visitors' list also includes Nestlé, the Swiss food producer and Hachette, the French

publishing group. Some companies have longgrasped the value of keeping ahead in technology. ICA Handlamas, the Swedish co-operative food retailing

streamlining its distribution system by using computers to link its 2,800 member stores; it has shut bulf its distribution sites. Stores are also being equipped with new scanning equipment, so that up-to-date sales information can be used to help purchasing and analysis.

Hollis sees scope in the UK for store groups to save money by pooling their distribution efforts, if direct ordering from the home really does take off, goods could be delivered from the warehouse without ever being in a supermarket. This could cut prices by some 5 per cent, depending on how much of the savings are kept by suppliers.

At a time when flat population

trends mean retailers can only grow in many countries by eroding others' market share or expanding shroad, the way they use technology will have a powerful influence on their success in improving service for shoppers while keeping prices down.
This is what consumers are com-

ing to expect. Many have become mated banking and buying insur-ance by telephone, notes Hollis. People have changed some of their habits to quite devastating effect on group, has spent SK1500m Water) on time high street.

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## 'Mandragola' opens new theatre

colo Machiavelli (1467-1527) is like discovering John Stuart Eliot had a fizzy stand up routing. Machiavelli's Mandragola is the old wine in the rates The Southwark Play. District the theatre The Southwark Play.

house.

First the theatre. The renovation cost under £10,000. This used to be a tea warehouse, engineering shop, and £10pino church; so trade, technology and religion have now ceded to entertainment. The pews for seats are an irony Machiavelli would have enjoyed, but the would have reminded him of his spell in prison after the Medici lost control of Florence. There are a dozen spotlights, a small playing area, and a bar. There are a dozen spotlights, a small playing area, and a bar. The Southwark Playhouse fills a need for a studio space in this part of London and, on first acquaintance, looks good. Now the play, Machiavelli wrote Mandragola long after his political amhitions had been thwarted; It has a realist

been thwarted; It has a realist outlook and a comic execution. Like his Discoursi and Il Principe, it catalogues what men and women do rather than what they ought to do.

The plot weaves around Lucrezia, the beautiful wife of an impotent Florentine, Messer Niccia. Hearing of her beauty, Calimacco has coma from France to seduce her, and enlists the limber offices of Ligurio to gain entry to her bedchamber. First Calimacco pretends to be a medic prescribing mandrake root, but he diagnoses death to the first man who makes love to Lucrezia post-mandrake. He then takes on a second disguise as an expendable street urchin, ushered in by Ligurio and Mes-

ser Niccia for a night of pleasure with Lucrezia. She enjoys it, Calimacco declares his love, and they plot a future as doctor and patient. The church, in the form of a quiet, worldly friar, watches indulgantly.

The result is a cocktail of Up Pompeti and Les Linisons Dangereuses, all trust and trysts, but laced with Machiavalli's sententia: "Always weigh certain gain against uncertain loss" or "it is the part of the wise man to choose the lesser of two evils." There are philosophical dehates waiting to happen: Ligurio, resplendent in pink socks, green suit and orange shirt, can still observe: "I believe what satisfies the majority is itself good."

The Turkish director Meh-

The Turkish director Mehmaf Ergen, who has worked on Sam Shephard and David Mamet, keeps the dialogue natural and relaxed. Peter Pacey as the slimy Ligurio and Clive Webster as the pragmatic Friar are particularly good, in love with the deliciousness of the plot, but nevertheless keeping the issues humane. Matthew Morrison as Calimacco is by turns libidinous and lurid as turns libidinous and lurid as the chief seducer.

It is surprising to find that Machiavelli works on stage. His maxims are most suited now not to politics (the thrust of Edward Pearce's recently published book Machiavelli's Children) but to organisations (the focus of Anthony Jay's Machiavelli & Management). where it is much more secure to be feared than to be loved and where the reputation of

Andrew St George Southwark Playhouse, South-wark Bridge Road, SEI (071 620 3494) until November 27

### Concert/David Murray

Brooding Russian n Tuesday we should have heard Nikolai Demidenko make a speciality of the Sonata Reminiscenza, which flowed under her hands continuously playing Tchaikov. sky and Rakimaninov piano trios in the Wigmore Hall, with islin and the French-Cauadian cellist Sophie Rolland. But when we got there, the concert had shrunk to a solo recital by Demidenko. I might just have sone home; this for-midable planist compels admiration, but rarely any sympa-thetic warmth. His last-minute fractured and unpersuasive. programme included a lot of Nikolai Mediner, however Demidenko had begun his two of whose concerti he recorded with electrifying commitment last year; so I stayed.

recital with Tchaikovsky's Dumka, virtually an "occasional" piece - tuneful but lit-Meditner is a peculiarly intertle more than routine concertstuff, which he searched esting composer; a contemporary of Skryabin and Rakhthrough with slow, excruciatmaninov, and hugely fluent ing tenderness, rather marvelbut unlike them a Westernis-ing "conservative", because his lous to hear. The second half of his programme, all Rakhmani nov (three Etudes Tableaux, favoured models were Schuseven Prelides); was only fit-fully concentrated There was mann and Brahms. He fled Russia soon after the Revolua regular scatter of finger-slips, tion, and lived his last 30-odd especially in rapid base ahots — most unlike Demidenko's usual Demidenko cuts rather a omni-competent form.

daunting figure; lofty; chilly, saturnine. His Mediner here The E-Dat minor Etude-Tab lean began with a nervily original kind of brooding and ended in drawn-out gloom, but the middle was all out; triple-forte bashing. The programme notes

make a speciality of the communication. Reminiscenza, which flowed under her hands continuously and hauntingly; and subtle shadings. With Demidenko each new thematic idea arrived h new thematic idea arrived with a grinding clash, as if Mediner's structures were held together by main force alone. Moments of pungent character erupted as if from nowhere, lightning flashes in no cogent order. The laser-illuminations were brilliant, their sequence

bashing. The programme-notes reported the expatriate Demidenko as declaring that being Russian is a data. That may be so; but the duty need not be so icy, nor so grimly stern.



**ARTS** 

Ivory takes on Ishiguro: Anthony Hopkins and Emma Thompson in "The Remains of the Day" Cinema/Nigel Andrews

# What the butler didn't see he Remains Of The Day takes the oldest of movie genres and turns it upside down. Instead of "What the butler saw" here is "What the

the butler saw" here is "What the hutler didn't see (or in some cases pretended he hadn't)." Like Kazuo Ishiguro's Booker Prize winning novel, James Ivory's film is a tragicomedy about spiritual myopia. But irony dances gleefully amid the gloom. Not the least of the movie's own tangy paradoxes is that our buttoned-up tangy paradoxes is that our buttoned-up and blinkered hero, this all-unseeing carrier of silver salvers, is played by Sir Anthony Hopkins, whose most famous recent screen role was as a man who Saw Everything Not only case it but small it Everything. Not only saw it but smelt it. heard it and whenever possible ate it alive.

The main things Stephens fails to see let alone savour – are love (housekeeper Emma Thompson) and political imbroglio (James Fox as his quisling master Lord Darlinston, hosting appearament how. Darlington, bosting appeasement pow-wows in the Nazi-threatened 1930s). But he also fails to discern his own atrophyling self-subordination cuts off the normal arterial flow between heart and hrab.

rial flow between heart and brain.
The novel was a tour de force of wry pathos and behavioural comedy. Its antopsy on British repression - on what R.M. Forster once called our "deficiency of the heart" - was not just about Stephens, it was narrated by Stephens. And like all good first-person narratives, from Gulliv-ar's Travels to Moby Dick, it encouraged us to be sceptical about the narrator him-most most not this ampleciant of mining self. Might not this omniscient 'T', aiming his prejudices or disdains or disingenuous innocence at the world, be the higgest of all the book's boobies, prigs or self-deceiv-

Helped by his longtime screenwriter Ruth Prawer Jhabvala (A Room With A View, Howards End), Ivory defly transfers the hook's postloposont interplay onto the book's past/present interplay onto screen. Here is Stephens in 1956, tooling screen. Here is Stephens in 1956, tooling through the English countryside in his new master's Daimler to rendezvous with, new master a pamiler to rendezvous with and he hopes re-hire, tha now unhappily married Miss Kenton (Thompsoo). And here is Stephens 20 years before, when she and he suppressed their little flame in the ruthless rituals of domestic service. Polish

and he suppressed their little stame in the ruthless rituals of domestic service. Polish that gridiron! Dust that alcove! Prepare your "staff plan" for those all-important visits by Chamberlain and Ribbentrop.

The book's comic highlights are wittily being asked to instruct a young relative of shrinking into himself like a salt-sprinkled Lord D's in the "facts of lifa"; or Stephens shrinking into himself like a salt-sprinkled slug when Miss Kenton tries to wrest his latest reading matter from him (a romantic novelette). Even when the film threatens to marriage a romant from the novel ans to overplay a moment from the novel as to overplay a moment from the novel — Stephens intruding on a Miss Kenton sobbling helplessly in her bedroom to convey the latest dusting instructions — caricature is kent at her by our total belief in vey the latest dusting instructions - carr-cature is kept at bay by our total belief in Hopkins and Thompson. Other casting choices are dodgier. Too

often the film reaches for the James tvory Rep Directory and sticks a random pin in the Chaletonhor Ready - an doar me and -Kep Directory and sticks a random pin in it. Christopher Reeve? - oh dear me no! - as the American anti-appeasement senator who roughs up the 1930s conferences and then returns urrowan but no lace constitutions. who roughs up the 1930s conferences and then returns, greyer but no less one-dimensional, to buy up Darlington Hall. (This is an over-neat screenwriter's touch; in the govel the two American characters

were different.)

Reeve is a gawky bantamweight thrown into a ring full of swift-moving heavy. Weights, But what a show those superior bruisers put on. Hopkins is all bullheaded grace and lethal diffidence, holding off the world's blows with little flinches of the head and sometimes offering his own head and sometimes offering his own respectful version of a right hook. (Show him a dirty hand-towel and you will be nim a dirty danu-tower and you was be spreadeagled on the canvas.) Thompson, as in Howards End, strides straight out to

THE REMAINS OF THE DAY (U) James Ivory

DEMOLITION MAN (15) Marco Brambil

GUILTY AS SIN (15) Sidney Lumet

L'ACCOMPAGNATRICE (PG) Claude Miller

the middle of the emotional arena and never retreats. This actress can make everyday distress seem like high tragedy and spinsterly longing wring the film-goer's heart. More British acting Oscars on

Demolition Man Sylvester Stallone wakes up in the year 2032. He has spent 36 years in a "cryo-penitentiary," but age has years in a "cryo-penitentiary," but age has not withered nor refrigeration staled those plug-ugly features. (Nor that Yogi Bear voice with a hint of lisp.) Soon Sly is re-donning the cop clothes he disgraced back in 1996, when his gung-ho showdown with hlack psychopath Wesley Snipes resulted in the death of 30 hostages.

Now he is back in "San Angeles" (sic) and so is Snipes, woken from his own deep-freeze to become a state hit-person. Add a comely policewoman (Sandra Bullock), a villainous city ruler with a Brit accent (Nigel Hawthorne) and an outbreak

ock), a vinamous city ruler with a Brit accent (Nigel Hawthorne) and an outbreak of runaway production design (David L. Snyder, once of Blade Runner) and you have this marry if sometimes indignatible Snyder, once of Blade Rumer) and you have this merry if sometimes indigestible recipe for a sci-fi film cum cop opera.

Mercifully, amid the bang-bangs, there are some ha-ba's. If Schwarzenegger gave self-satire an honourable name in Lost Action Ham it is Stallone's turn now to Action Hero, it is Stallone's turn now to put the "Indic" back into ludicrous. He put the "Indic" back into indicrous, he mows down baddies with post-modern implausibility; he cracks hithe one-liners; and he even has a gentle swing at his rival dialogue about the and he even has a sentic swing as the first with a bit of dialogue about the

"Schwarzeoegger Presidential Library." (It transpires that Big Arnie has recently run

Erupting around our hero is the movie's take-no-prisoners futurist vision. Among the 21st century terrors to cootemplate: the 21st century terrors to cootemplate: the Teco Bell chain will run every restaurant (you have to have been to I.A to realise the full horror of this); street payboost, and smoking, drinking, meat-eating and sex will be banned except through the pretend thrills of Virtual Reality. the pretend thrills of Virtual Reality.

the pretend thrills of Virtual Reality.

Oh, and under the sidewalks dwell the rebels of Cardboard City, munching ratburgers, swilling beer and declaring war on political correctness. In a film that shamelessly casts a black man as baddie prizes for guessing on which side of the PC line dwell the film's own sympathies.

No prizes either for guessing who is No prizes either for guessing who is Sympathetic and who not in Guilty As Sin, Murder-suspected ladykiller Don Johnson,

a walking thousand dollar sult smirk on top, smarms his way into top lawyer Rebecca De Mornay's office and insists that she defend him. Did ba defenestrate his now-dead wife? Probably, Will he throw De Mornay off the top of her career pinnacle? Probably, "This is the monster client condrama attent leading." monster client syndroma every lawyer dreads!" Eurgles our heroine to her (soon

to be ex boyfriend Stephen Lang. Director Sidney Lumet, once of Twelve Angry Men, is himself tottering atop his pinnacle at present. He last gave us Close to hardnosed moman detactive met the a hardnosed woman detective, met the a nardnosed woman detective, met the monster miscasting syndrome. Lumet does a better joh here with Griffith's spouse. But even an extra-cleaginous Johnson and a super-califragilistic Mornay - suggesting frailty along with with the hydraulic binned sex anneal - cannot help the direcranty along with with the hydraulic hipped sex appeal - cannot help the director lift the contrivance heavy script by Larry Coben (late of Q - The Winged Ser-

pent) into plausibility. Also, where do these people live? Like Demolition Man - but at least that was a Demouron Man - but at least that was a fantisy - Guilty As Sin has a case of runaway production design (Philip Rosenberg). Every flat looks like a white-scrubbad modern art callery every office scrubed modern art gallery; every office seems to exist in a penthouse beyond the seems to exist in a penthouse beyond the clouds. Perhaps it is a metaphor for the high living that comes before a fall. Or perhaps it is therapeutic wish fulfilment for a movie town that lives with smog. It should make one warm to the beast

earthquakes and forest fires.

It should make one warm to the hooest, low-key period detail of Claude Miller's L'Accompagnantice (The Accompanist). But low-key can be a synonym for dull. Here the tale of a heautiful Russian-french sopraoo (Elena Safonova), her timid young pianist (Romane Bohringer) and the refined battering their lives take in the political storms of the French Occuin the political storms of the French Occupation never rises, lo wit, perceptiveness or excitement, above middle C.

Theatre/Malcolm Rutherford Han Ong's 'The LA Plays'

According to a programme note for the new play at the Almelda, there were 36 arrests of male prostitutes under the age of 18 in the city of Los short scenes tasting barety two bours including an Angetes tast year, I have been wondering what that figure means. Is 36 a lot or a little? Should there have been more arrests, fewer or oone at all? Is it the age figure

that is significant? What happened after the arrests and, while we are 00 the abject, what are the numbers for female prostitotes, and the changes over time? On the basis of other figures in the programme, 36 seems in the programme, 36 seems rather small. The population of Los Angeles County grew by 50 per cent to just over 9 millioo betweeo 1960 and 1990, There are 31,753 actors and directors living in LA, not including dancers, models, singers and game show hosts. Equity, the actors' union, bas a membership of 9,000 in the

a memoersorp or nauvu in the Los Angeles area. The conclusions from the statistics are oot clear. On the other hand, Han Ong has the good sense to keep the figures off the stage, The LA Plays are an effective piece of theatre at least until about two-thirds of the way through.
They tail off when they enter into a bout of repetitive four letter words, but before that

there is much to entertain and to instruct. The quality of the acting and the direction is uniformly high throughout. The difficulty, for the author as much as for the oudlence, is trying to determine what the piece is about. Three strands compete, Ona is what it is like to be an Asian-American; another is

what happens if you are a male drug-pushing prostitute to boot; and the third is the special nature of Los Angeles in particular (the pursuit m) and America in general - "a big country", as one of the characters says,

"but a looely place". There is also Alds. All of which is e lot to put into a piece of 21

interval.

To a Ruropean, not resident in Los Angeles, quite the most interesting aspect sociologically is the absence of blacks. Here are whites, Hispanics and Asians: 00 wonder the hlacks in the city sometimes rebel.

sometimes rebel.
The Asian 18-year-old, The Asian 18-year-old, beautifully played by François Chau, and oddty called Greg, is noiversally described as "smart". He is frequently asked by Cancasians about his ethnic origins — American Indian, Japanese, Chinese or what? (In fact, his family is from Taiwan.) All that he takes in his stride. He does not seem to have any doobt that American is what be has become, but he prefers to use his smartness on homosexual his smartness on homosexual affairs, a hit of travel to New Mexico, while making coough money from peddling drugs and hiring himself oot. He is rather a striking, attractive figure even when the inevitable Aids sets io.

Other characters stand out less, though I greatly admired the performance of Ramon Tikaram as Greg's friend. Nicholas, Ong says his play is as much about geography as about people, and one can see what he means. A young white arrives in LA from Iowa, and seems more out of place than Greg from Taiwan: he, too, takes to male prostitution, but tends to call his clients

For the most part, this is a hamting production with some very terse dialogue. It is directed by Matthew Lloyd and cleverly designed by Julian McGowan.

Almeida Theatre, (071) 359



François Chan and Stefan Bednarczyk

# INTERNATIONAL

years in Golders Green.

was the Sonata Reminiscenza

and the Sonata Tragica, each of them prefaced by a slighter

piece from which it grew; a "Canzona Serenata" and a "Canzona Matinata", respec-

tively wistful and morning-Viktoria Postnikova used to

#### ATHENS

Megaron Tonight, tomorrow: Alexandros Myrat conducts La Camerata in works by Janacek, Schnittke, Bach and Honegger. Tomorrow: Rudra Béjart Lausanne opens a week of performances, including world premiere of Béjart choreography to music by Manos Hadjidakis, Nov 27, 28: Nikolaus Hamoncourt conducts Chamber Orchestra of Europe, with Gidon Kramer (01-728 2333/01-722 5511)

#### BARCELONA

Gran Teatre del Liceu Tomorrow; Uwa Mund conducts Orchestra of the Liceu in works by Richard Strauss. Sat: final performance of Giordano's Fedora, with Mirella Freni, Next Mon, Tues, Wed; National Ballet of Spain (tel 412 3532 fax 412 1198)

#### BUDAPEST

The Hungarian State Symphony

Orchestra calebrates its 70th anniversary next Thurs with a concert at the Academy of Music conducted by Ken-Ichiro Kobayashi. featuring music by Liszt, Kodayashi featuring music by Liszt, Kodayashi also conducts a Beethoven programme foriight, Sun and next Tues.

Repertory at the State Opera consists of Prokofieura battat Description consists of Prokofley's ballet Romeo and Juliet, Fidelio, Don Pasquale and I Lomberdi. The Erkel Theatre has Hungarian-language
performances of Rigoletto, Die
Fledermaus, il barbiere di Siviglia
and Madama Butterily, plus Erkel's historical opera Bank ban and Delibes' ballet Coppella. Denoes bauer coppens.
Pre-booking for concerts at the National Philharmonic Booking Office (Vörösmarty ter 1) and for opera at the Central Theatre Booking Office (Andressy ut 18) and theatre box offices

#### **■ FLORENCE**

Teatro Communale: Tomorrow Sat, Sun: Gustav Kuhn conducts Bruckner's Fifth Symphony. Next week's concerts are conducted by Carlo Maria Glulini (055-277 9236)

#### ■ LONDON

THEATRE Angels in America: the first complete showing in Britain of Tony Kushner'e two-part epic, The second half, Perestroika, receives its British premiere in a production at the Cottesioe directed by Declar Donnellan, running in tandem with Millenium Approaches. Previews begin tomorrow, opens Nov 20

(National 071-928 2252) Hamlet: English Touring
Theatre's production of the Shakespeare play, with a cast led by Alan Cumming and Beanor Bron, directed by Stephen Unwin. Opens tonight (Donmar Warehouse 071-867

One Man: three one-man plays written and performed by Steven Berkoff, a hit at the 1993 Edinburgh fringe. Now in previews, opens Mon (Garrick 071-494 5085) (Garrick 071-494 5085)

Medea: Diana Rigg repeats
her award-winning performance
as Euripides' tragic heroine
(Wyncham's 071-867 1116) Moonlight: Harold Pinter's first Moonlight: Harold Pinter's first full-length play for 15 years, in the Almeida production starring Ian Holm and Anna Massey (Cornedy

Relative Values: Noel Coward'a comedy in the acclaimed Chichester Festival production directed by Tim Luscombe, a cast of Coward specialists led by Susan Hampshire and Alison Fiske (Savoy 071-836

 Arcadia: Felicity Kendali and Emma Fielding in Tom Stoppard's multi-layered comedy, in repertory multi-layered comedy, in repertory till Nov 24 at the Lyttetton with Machinal, Sophie Treadwell's 1928 classic of the American avant-garde, starring Fiona Shaw (National 071-928 2252)

 An inspector Calle: Stephen Daldry's landmark production of J.B. Priestley's psychological thriller (Aldwych 071-836 6404)

OPERA/DANCE Gulidhall School Theatre Tonight, Sat, next Mon and Wed: David Lloyd-Jones conducts British premiere of Massenet's Grisélidis, 

staged by Caroline Gawn and designed by Aldona Cunningham (071-638 8891) Covent Garden The Royal Opera gives final performances of Yevgeny Onegin tonight (with Dmitri

vorostovsky and Catherine Malfitano) and Melatersinger on Sat (with John Tomlinson and Thomas Allen). Repertory for the rest of the month is devoted to a restaging of Martin Duncan'a Scottish Opera production of Die Zauberflöte, conducted by Andrew Parrott, opening on Mon with a cast including Amanda Roccroft, Sumi Jo, Peter Coleman-Wright and Robert Lloyd. The Royal Sallet has MacMillan's Romeo and Juliet, a MacMillan's nomeo and Julier, a double-bill pairing Balanchine's Ballet Imperial and Ashton's Tales of Beatrix Potter, and a mixed bill including MacMillan's Different and Executive's Names Drummer and Forsythe's Herman Schmerman (071-240 1066) Colliseum English National Opera's repertory over the next week consists of Le nozze di Figaro and Il barblere di Sivigila. A new production of Lohengrin opens on Nov 20 (071-836 3181)

CONCERTS South Bank Centre Tonight Laszlo Heltay conducts Royal Choral Society and RPO in works by Goundd and Faure. Tomorrow James Blair conducts YMSO in Mahler's Seventh Symphony, Sat-Richard Hickox conducts City of London Sinfonia in works by Part, London ormona in works by Fair Schrittke and Tavener. Sun: Jessye Norman song recital. Tues (FIFH): Libor Pesek conducts RPO in Weber, Schumann and Beethoven, with plano soloist Ivan Moravec. Tues (QEH): Sian Edwards conducts

Docklands Sinfonietta in Takemitsu, Besthoven and Stravinsky, with violin soloist Thomas Zehetmair, Wed, Thurs: Bernard Haitlnk conducts LPO in Mozart and Shostakovich, with piano soloist Emanuel Ax. Nov 21: Sviatoslav Richter (071-926 6800) Barbican Tonight André Previn conducts LSO in works by Prokofiev and Elgar, with piano soloist John Browning. Tomorrow: Jean-Claude Casadesus conducts Orchestre National de Lilla and Pro Musica Chorus of London in Haydn's The Creation. Sat: Igor Oistrakh is violin soloist with ECO. Mon. Tues, Wed: soloist with ECO. Mon, rues, wear St Petersburg Philharmonic plays works by Rakhmaninov, Stravinsky, Prokofiev and Sibelius, conducted by Yuri Temirkanov (Mon. Tues) and Maries Jansons (Wed). Nov 18, 21, 25: Kent Nagano conducts LSO. Nov 22: Harmoncourt conducts COE Nov 23: Sviatoslav Richter (071-638 8891)

#### MILAN

Teatro alla Scala Tonight, tomorrow: Georges Prêtre conducts orchestral works by Debussy, Stravinsky and Brahms. Mon: Orchestra Filarmonica della Scala Nov 21: Nicotal Gedda song recital. Nov 22: Mirella Freni, Dec 7: opening of 1993-94 opera season with La Vestale (02-7200 3744)

#### ■ MADRID

Teatro Lirico La Zarzuela Tonight, tomorrow, Sat, Sun: Ballet Flamenco. Nov 18-20: Compagnic Angelin Prelional (1)

Auditorio Nacional de Musica Auditorio reacional de musica Tonight: Andres Segovia Orchestra plays works by Martinez, Mozart, Haiffter and Mendelssohn. Tamorrow, Sat, Sun: Victor Pablo Perez conducts Spanish National Orchestra in works by Anton Garcia Abril. Next Tues and Wed: final recitals in Lindsay Quartet's Beethoven cycle (01-337 0100)

#### ROME

Teatro Olimpico Tonight: Andreas Schmidt, accompanied by Rudolf Jansen, sings Lieder by Schubert and Schumann on texts by Haine. Next Thurs: I Virtuosi di Roma. Nov 23: Mornix Danca Theatre, Dec 2: John Eliot Gardiner conducts Monteverdi (06-320 1752)

#### **TURIN**

Teatro Regio The opening production of the season is Bellini's Capuleti e Montecchi, conducted by Bruno Campanella and staged by Giorgio Marini, with double Caste including Mariella Devia and Martine Dupy. Daily except tomorrow and Mon till Nov 21 (011-861 5214)

#### ■ VENICE

Teatro La Fenice Tomorrow: Christian Thielemann conducts final performance of Giullo Chazalettes' production of Der Rosankavalier. with Felicity Lott, Anne Sofie von Otter and Artur Korn. Nov 20, 23, 25, 28, 30, Dec 2, P. P. 20, 23,

ARTS GUIDE Monday: Berlin, New York and Paris.
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By Mich

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By Bernard

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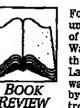
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### Left behind in My articles attempting to persuade people that there is more danger of Latin America



until the fall of the Berlin Wall in 1989. the left in Latin America was transfixed by Fidel Castro's Cuban

Now the Soviet regime that subsidised him is history and Castro looks like an old Latin caudillo clinging desperately to

Since the end of the cold war it has been the rightwing advocates of market-oriented reforms, and not the left, that have been offering change in Latin America. Governments across the region have heen squeezing the size of the state. deregulating and opening up protected markets to foreign

competition. For many on the left, these policies have failed to stimulate sustainable growth. Worse, they have wid-

UTOPIA UNARMED: ened divisions hetween rich THE LATIN AMERICAN of social weland poor. But LEFT AFTER THE what is the COLD WAR left's alterna-By Jorge G. Castañeda Knopf \$27,50 This is the

question the leftwing Mexican academic, Jorge Castaneda, addresses in Utopia Unarmed. He says revolution - except for extreme groups such as Peru's Shining Path - is no longer on the

left's agenda. indeed, in contrast with its past equivocation, the left as envisaged by Castañeda views representative democracy and human, rights, as, priorities, Democracy requires more than elections, however. What is needed is reform of existing democratic institutions, including increasing accountability.

and a fair judicial system. The left in the 1990s must continue to be nationalistic, he says, in part because the pro-cess of nation-huilding is incomplete. But its nationalism must take a new shape. The left should recognise that developments in the global economy constrain this nationalism. It should reject foreign interference in domestic issues, such as narcotics policy. However, the left should embrace the notion that international influence on other issues human rights, the environ-

ment, fair elections - can enhance nationalist objectives. The left should huild alli-

ances with groups in the west - to seek, for example, to influence US policy on specific issues. Castaneda and others of the Mexican left have already begun the process, co-operating with lahour groups in the US 10 oppose the North American Free Trade Agreement between Mexico, the US and Canada.

Within the nation, govern-ments should decentralise power to regions. Outside, they should seek regional economic integration, but only among equals. This rules out Nafta but includes accords among developing countries.
In the Castañeda vision.

state ownership is no longer an end in itself, but he still advocales a central role for the state in the economy. He accepts market capitalism but not the Anglo-Saxon variety. Instead, he looks to conti-

nental Europe and its system fare, and to the Far East for its model of industrial policy and export-led growth

Castañeda, however, fails to resolve some crucial problems for the left. How much of the free-market agenda would leftleaning governments have to adopt not to scare off investment? Though he calls this a false dilemma, he agrees that "the husiness community in most of Latin America has a choice today ... when faced with the unpleasant prospect of a reformist government

pack up and go elsewhere". Castaneda fails to pursue some of the more interesting ideas from the right that could have an impact on poverty. For example, giving people in Latin America's slums legal title to their homes - currently owned hy nobody - could alleviate the plight of the urban poor. His vision may ultimately be

unworkable. But if the left does shape up in the way Castañeda suggests, it would end up emhracing many of the social democratic traditions of west Europe. That can only be good news for Latin America's still shaky democracies.

THEY HAD NEVER BEEN ENTIRELY HAPPY

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deficient than of excess demand have contained one deliber-ate omission. They have not called for slashing reductions in interest rates, irrespective of what other countries

do, and irrespective of what happens to sterling. Instead they have concentrated on the need for a change of priorities at

the international level in both the "summit" Group of Seven countries and the European Community. As far as UK domestic policy is concerned, they have focused on the case against taking risks with the recovery by piling on net tax increases over and above the quite large imposts already left behind by the former chancellor. Norman Lamont, for implementation next year and beyond.

This emphasis has been there partly because the main sources of deficient demand are outside the UK - they are particularly to be found in continental Europe and Japan. There is an unnecessarily large gap between out-put and capacity in most places. But t is at least possible that in the UK the gap may be near to stabilising, while in other areas it is getting wider

Another reason for not joining the ultra-cheap money bandwagon is that its members exaggerate the extent to which an individual medium-sized country can "go it alone" in interest rate policy and ignore the conse-

quences for the exchange rate. Nothing could be more misleading than the belief of the Tory loony wing that the price of sterling is no more important than the price of tomatoes While a hig change in the price of tomatoes might at most lead to related changes in the prices of lettuce and cucumhers, the exchange rate is the main link between one country's price level and that of its trading partners. It is true that the 1992 British devaluation, following the departure from the ERM, had a smaller inflationary impact than many analysts expected and that the UK has since had a faster rate of growth than its European partners. But these events may have given a highly misleading impression of the scope for a single country to decide policy on purely domestic criteria. The 1992 devaluation was a one-off

event, taking place when downward pressures on inflation and activity were exceptionally severe worldwide. Indeed the governor of the Bank of England, Mr Eddie George, came to the conclusion that, at the original ERM entry parity, the UK "might have actually had falling prices". Instead the UK has had an underlying inflation rate of 3 per cent, which will show an upward blip in coming months, hut which the Bank hopes will return to 3 per cent hy 1995.

What applies to a single devaluation in exceptionally favourable cirstephen Fidler cumstances would not apply to a policy of repeated depreciation. Even in the present depressed world economy.

#### ECONOMIC VIEWPOINT

## Why we cannot just 'go it alone'

**By Samuel Brittan** 

it will not be possible to absorb nearly as much of the effects of another devaluation in importers' margins, or in the margins of foreign goods com-peting with British ones in international trade, as it was last time round.

There is, moreover, a tendency to exaggerate the scope for purely national interest rate policies, even under a regime of flexible exchange rates. Short-term real interest rates are then indeed freer to vary between countries for temporary periods. But this is much less true of long-term real interest rates or even of average short-term ones over a period

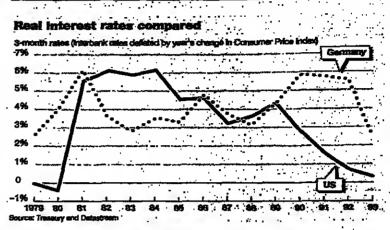
The fact is thet, in a world of free capital markets, real long-term interest rates tend to converge. This is a more fundamental sense of "not being able to buck the market" than Lady Thatcher had in mind in her famous remark after she stopped her chancel-

lor shedowing the D-Mark in 1988. In a single free capital market. there will be one prevailing long-term real rate of interest. This long-term rate can be regarded as either the prevailing long hond rate or the expected average of short-term interest rates, appropriately discounted These two measures must be consistent with each other; otherwise there would be easy profits to be made from moving from short to long-term fixed interest securities, or vice versa.

In practice, nominal bond rates in different countries are not, of course. identical. But an individual country's can differ from the going international rate - default risks apart only by a courency gremium or discount, reflecting the expected appreciation or depreciation of the currency

> The fact is that, in a world of free capital markets, real long-term interest rates tend to converge

against other main currencies. The expected movement of a currency will, over a sufficient period of years, in its turn mainly reflect expected inflation differentials. Thus, long-term interest rates in the UK can only be lower than those in Germany if the expected inflation rate is lower. An anchor versus a floating or sinking exchange rate



This is clearly not the market's expectation. UK 10-year bonds yield nearly I percentage point more in the UK than in Germany, despite all the British base rate cuts. French bond yields have, however, virtually closed the gap with German ones.

It is true that US bond yields are about half a percentage point lower still - more likely reflecting market belief in a temporary undershooting of the dollar than that US inflation will fall behind that of France and Germany. The country where nominal bond rates are decisively below the international average is Japan – which reflects optimistic expectations both about yen appreciation and Japanese inflation.

What flexible exchange rates permit is temporary variations in either direction in real short-term rates. In some circumstances, this may be a valuable degree of freedom; but it is, of course, limited. For a country, such as the UK, trying to stabilise its currency after decades of inflation and depreciation, the choice is illustrated

in the first chart. If it could carry out a successful domestic monetary pol-icy, the result might look like the line marked "successful floating". There would be periods - say during domes-tic recession - when real shoot-team interest rates would be lower than eisewhere.

The official British desire to confine and limit the role of the **European Monetary** • Înstitute is counterproductive

There would be other periods, say after a burst of credit liberalisation such as the UK experienced in the mid-1980s, when its rates would be higher. There would be corresponding fluctuations in the exchange rate, but over the long term there would he little trend one way or the other

against the currency of a country with stable prices. Even if those is charge of monetary policy nover looked at the exchange rate and only at domestic monetary variables, success in their policies would ensure that the exchange rate followed a horizontal trend, despite short-term variations on either side.

A flexible rate can thus provide no more than an apportunity for a femporary deviation from the interna-tional real interest rate norm. For instance American short-term real interest rates could be well below those of western Europe in 199293 because the dollar was regarded as depressed and likely to recover. This temporary deviation may have been useful, as was the UK move to lower. short-term interest rates after Septen ber 1992. But there was no way either country could indefinitely run a programme of real interest rates below prevailing international levels. If you look at the gap between US and Ger-man real interest rates over the years. the differential went first one way

the differential went first one way and then the other, with a teadency to balance out over the years.

The risks of going it alone should now be pretty clear. For in the situation shown in the chart it would be terribly tempting for the UK or another European country suffering forms of telescope temptications. from go-it-alone temptations - to let his exchange rate slide just that latal bit too long (as in the mid-1990s). In rulers are unlikely to know enough about monetary relationships to tighten up in time. But a consequence of delay in taking corrective action is that inflationary expectations become reinforced, and high costs entrenched. After that the transitional output and job costs of hringing the exchange rate up to the horizontal line will seem to be (and will be) too high. Thus there will be strong pressures to tread the path of inflation and depre ciation shown by the diagonal line.

A more constructive, if at present policy for non-inflationary growth would be through resumed interest tional co-operation. The most hopeful path is neither to go back to reconstructing the ERM and constructing Emu as if nothing had harmaned. Nor is it to build co-operation around infistion targets alone, as the Bank of England sometimes hints. A better path would be to have a concerted policy towards nominal demand, al least at a Beropean level, and prefera bly taking in the G7 as well.

By far the best place to begin would be with the European Monetary laco-ture due to start in January in Frankfort under Alexandre Lamfalussy.
The official British desire to confine and limit the role of the hatitute is introduced and complete produced. tive. If Europe is to be less depe on a single anchor country such as Germany - which is now less able at play that role the RMI is its less bet, whether it develops into a Euro-pean central bank or has to settle for something less glandrois but still playing a vital role.

#### TO THE EDITOR

Number One Southwark Bridge, London SEL SHIL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Japanese nuclear policy increases UK's risk

Sir, For the first time, a Japanese official has acknowledged that, if Thorp operates, plutonium separated from Japanese fuel will have to be stored at Sellafield (Letters, November 8). While Mr K Kaneko of the Federation of Electric Power Companies of

Japan says that it will not remain there "forever". he knows that Japanese objectives cannot now he met without long-term storage at Sellafield. If current contracts are hon-

oured, around 35 tonnes of fissile plutonium will he separated from Japanese fuels by British and French reprocessors. Japan is also constructing its own reprocessing plant at Rokkasho-mura which ts

expected to produce a further 50 tomes in the 10 years after it opens in 2001. Add another 5 tonnes from the existing Tokalmura plant and one arrives at a supply of about 90 tonnes by

the year 2010.

The trouble for Japan is that its consumption of plutonium. cannot approach this figure. The fast reactor programme that was to have absorbed most of the plutonium has been much delayed, and plans for using the material in con-ventional reactors are still in their infancy. A surplus of more than 20 tonnes by 2000; and 40 tonnes by 2010, is now probable if reprocessing plans

are implemented. The Japanese government has recently reaffirmed its "no to declare that only a Tunning stock" sufficient for current needs will be held on Japanese

territory.

The implication is that any surplus will have to remain in Europe tutif well this the next century. This will be true even if plutonium recycling expands after 2000, since priority will then have to be given to using the plutonium separated at Rokkasho-mura. Otherwise, stockpiling in Japan will be

H Thorp operates, large tonnages of Japanese separated photonium will therefore have to be held in store at Sellafield.

stockpiling policy. The great Along with the British phase great political sensitivity in minn for which there is no use east Asia about platentium has led the Japanese government which is also likely to remain to declars that collections. here, the surplus stock at Sellafield will exceed 100 tonnes

seon after the year 2000.

Reprocessing is now the most expensive and risky storage golicy imaginable, instead of leaving the plutonium and radicactive wastes safely stored in spent fuel, they are separated out just to be stored again. How can the governwent consent to this? William Walker director of research.

Science Policy Research Unit, Mantell Building, University of Sussex. Brighton BNI 9RF

#### **BSI** sought 'new breed of executive

From Dr M D Sanderson. Sir. Mr Macdonald's letter (November 4) referring to my comments on the proposed changes to the British Standards Institution Royal Charter and their relevance to the recommendations of the Cadbury committee misses the

The Cadbury committee took special care to define clearly the respective responsibilities of executive and non-executive directors.

The proposed BSI Royal Charter changes sought to cre-ate a new species of corporate animal, the "executive non-executive". Apparently, members of this new species would have the power under the proposed changes to reward them-selves financially for services rendered without the normal checks and balances. These changes were ont-

standingly rejected by the sub-scribing membership of the BSI, representing a cross-section of British industry, at the BSI annual general meeting. Mr Macdonald may have

been a member of the Cadbury committee, hnt perhaps he

No order to seize Brazilian mahogany guidelines for shipments from a non-AIMEX supplier like our mahogany purchases from C&C effective October 19 and

Sir, The article "Judge orders seizure of UK-bound C&C, we took the additional mahogany" (October 29), hy Oliver Tickell, is misleading precaution of insisting on Brazilian certificates of origin and maccurate. guaranteeing that the mahog-We are concerned that your readers, who include many of

ers and professional advisers, may now be under the impression that we have heen involved in an illegal shipment of mahogany from Brazil. At the time of your article, Tradelink had no "shipload of mahogany half way across the Atlantic". No Brazilian judge ordered the immediate seizure" of this shipload, nor had

he ordered "the sequestration

our suppliers, customers, bank-

of thousands of cubic metres of mahogany belonging to C&C".

The last shipment we made from C&C was loaded on October 8 and had already arrived and been distributed in the UK. It was exported from Bra-zil with the usual valid export licence and necessary export documentation. In terms of

documentation. In terms of expert licence has not be and apologise for any income. The Timber Trade Federation revoked. We have suspended nience it may have coused.

any did not come from Indian The information we have about C&C regarding the TTF and its efforts to ensure judge's ruling on October 18 is that mallogary is derived from that IBAMA, Brazil's environ legal sources. We will take no ment protection agency, part in illegally sourced timber accused C&C of obtaining a from anywhere in the world mahogany export quota on the basis of false information. The

Brazilian judge roled that all mahogany exports by C&C from Brazilian territory should be halted. He also suspended its mahogany quota and gave its manogany quota and gave C&C five days to respond to the allegations. C&C responded on October 21, vigorously contesting all the allegations made against it, and the matter is still in the hands of the Brazil. ian courts. In the meantime, C&C continues its business in other species because its expert licence has not be

will review our policy towards it after clarification of its legal position. We do not wish to be seen as fighting for or defending C&C's legal position as this is a matter for the Brazilian authorities. We fully support

> supplies from well-managed H P Schey, managing director. Tradelink Wood Products. Tradelink House, 25 Beethooen Stre

London W10 4LC Editor's note: We understand that this report was based on a mistranslation of the judge's: ruling, which contained no order to seize wood destined for Tradelink. We regret this error.

and always attempt to obtain

#### Commission could halve anti-dumping unit

From Professor Roland Vaubel Sir, If Sir Leon Brittan, the European Commission's trade the staff of his anti-dumping predatory dumping presupposes a dominant market share ("Brittan wants larger anti-

the Commission confined itself to those cases in which a for-

lished in BC competition policy. It would also be consistent. with the EC anti-dumping reg ulation Competition and antidumping policy would at least department of economics

eign supplier or a cartel of foreign suppliers has acquired a dominant market share in the Community, it could cut its be integrated anti-dumping unit by more than one half. Roland Vaubel The condition of a dominant market share is well estab. Desigi M

125 HIGH HOLBORN, LONDON WCIV 6PY. commissioner, wants to double should have listened and (A Member of the Union Bank of Switzerland Group) understood more carefully. Telephone: 071-242 1148. Fax: 071-831 7187 M D Sanderson, unit he ought to be told that chief executive to June 1993, A Member of IMRO. BSL 31 Murray Meios,

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Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Thursday November 11 1993

### Europe by any other name

JONATHAN SWIFT would have been richly diverted by the contortions western European govern-ments are performing over how they should christen the 12-nation grouping just reborn under the Maastricht treaty. Just as in Gulliver's Travels the rulers of Lilliput and Blefuscu fought for decades over whether they should crack their eggs at the big end or the little end, the leaders of late-1993 Europe are spreading confusion over the small matter of a name for their remodelled organisation. Is it etill the European Community – grown from the 1957 Treaty of Rome and responsible for 35 years of deepening economic and political integration? Or is it something new, with ambitions that sound grander and vaguer - the European Union?

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The legalistic answer is that it is both. Maastricht created e hybrid in which the old European Community coexists with a new framework for co-operation between its individual sovereign governments, within the European Union. When its members discuss matters that fall within the parameters of the Treaty of Rome, such as trade, they are the EC. When they talk about new areas of co-operation under Maastricht - foreign and security policy, justice and home affairs - they are the EU.

Confused? You are not alone. Even the organisation's own foreign ministers have already found difficulty in following this fine distinction to the letter. Deciding when they should switch EC hats for EU ones in the Council of Ministers this week looked like

becoming the diplomatic equivalent of determining how many angels can dance on the head of a pin. Small wonder that they decided to rename themselves the Council of the European Union, regardless of whether they are dis-

cussing EC or EU busine In doing so, they (like Maas-tricht) papered over fundamental disagreemants between governments concerning the nature of their enterprise. "Federalist" ministers could go away crowing that the cause of Union had been advanced by one glorious centimetre, even though the EU enjoys no "legal personality". Sceptics such as Britain could protest that they had not budged one inch from their insistence on co-operation case by case.

That still leaves the problem of what mere mortals are to make of it all. To listen to the British gov ernment sometimes, you would think it was still more appropriate to call the EC/U the Common Market, when it has long since been something substantially more than that. The Euro-priests, on the other hand, invest the nomenclature itself with almost mystical powers, as if to think Union means that it is.

This newspaper has no easy answer to the conundrum, but in order not to sow daily confusion, we have to choose. As the opening words of the treaty state: 'The high contracting parties establish among themselves a European Union. hereinafter called 'the Union'." The FT will take the union's heads of etate at their

designed to remove some of the

more forbidding obstacles to this

form of attempted resuscitation.

form of requests for comment

rather than specific proposals. The

difficulty of obtaining funding in

course of a corporate res

money in the course of e company voluntary arrangement. The report also hints that the balance

between the interests of secured

and unsecured creditors may not

be right, by asking whether the

rights of those who have a floating

charge over a business should be

removed, allowing them to

appoint an administrator only.

This goes to the heart of the

problem of creating a rescue cul-ture in Britain, because it implic-

itly addresses the clash of inter-

ests between different classes of

creditor for whom the survival of

the company as a going concern is

a matter of varying importance. If

the banks are to forfeit some of

their existing rights as senior

creditors, they will no doubt

extract a price. There are also limits to what flexible insolvency

laws can do if the directors

approach their creditors too late. But e tilt in the balance of power

between secured and unsecured creditors may be an essential step towards saving more good busi-

nesses from bad financial struc-

More radical ideas come in the

### Rescue culture

ONE OF the consequences of pany administration orders, monetary mismanagement in Britain is that the potential equivalent of Germany's Mittelstand - the powerful small to mediumsized business sector - is invariably throttled whenever the economy takes an excessive downward by insolvency procedures that addressed, for example, with the suggestion that super-priority over other creditors might lit granted often give senior creditors little incentive to keep troubled comme nies in business. While the 1986 to the financier who advances Insolvency Act sought to bring more flexibility to the process through company voluntary arrangements and company administration orders, these have been under-used in the recession. A new attampt by the government's Insolvency Service to explain this failure is thus welcome; and its proposed solutions

appear well-judged. Insolvency practitioners have long argued that the problem with company voluntary arrangements which were designed to help the smaller companies that account for the great majority of insolven-cies, is that a company has no protection from creditors once it has informed them of the need for negotiations. A breathing space is clearly needed and the Insolvency Service's report proposes a 28-day moratorium, binding on all credi-tors. This would take effect immediately a notice of a prospective voluntary arrangement had been filed and would be supervised by a nominee who would be a membe of a regulated profession. The report goes on to recommend

tures. The Insolvency Service deserves a positive response. some changes in the rules for com-Cocom's future

No system of export controls can guarantee to stop countries with the will to establish large and sophisticated arms industries from carrying out that aim. Restricting supplies of technology to countries which the international community wishes to prevent from producing atomic, bacteriological or chemical weapons can, however, act as a considerable distncentive to such activities. During post-war decades the 17-nation Coordinating Committee on Multi-lateral Export Controls (Cocom) controlled access of western technology to the former Soviet bloc as a means of hampering its military capability. Four years after the Berlin wall fell, Cocom's membership and objectives need radical redefinition. The US and its allies are due shortly to conclude

talks on creating a successor. During the 1980s, Cocom restrictions were frequently the focus of commercial and ideological differences between the US and Europe. In a post-cold war world, policing flows of sensitive know-how and components has become still more difficult and controversial However, a new Cocom which can reduce arms proliferation is in the interest of international stability.

There is no shortage of impediments. The east-west line which separated friend and foe into easily definable power blocs has dis-appeared. Underlined by the weapons programmes of countries like Iraq, Pakistan, Libya or North Korea, the list of suppliers and potential users of military technologies has grown longer and more diffuse. China - treated lemently by Cocom, and now a supplier of ever more sophisticated and deadly weaponry to the Third World - may prove impossible to

bring into a new system.
For the west, however, the key aim of the new Cocom diplomacy is to persuade Russia and other ex-Soviet republics to participate in enforcing new arrangements. Otherwise, parts of their arma-ments capabilities will increasingly migrate to other still more unstable regions. The US hopes that relaxing remaining restric-tions on exports to the former Soviet Union will persuade erstwhile Cocom poachers to become gamekeepers. But the west will need to provide former Soviet republics with more help to improva controls of porous bor-

The Cocom system has already undergone change. Contacts between governments on regulating exports with uses in nuclear and chemical weapons and ballistic missles include links with both Russia and China. The new Cocom organisation can achieve better coordination by pinpointing which countries are deemed as threats in particular sectors. The technologies subject to embargo will need to be limited as tightly as possible to those with clear-cut applications in weapons of mass destruction. Export controls are an essentially defensive method of combating proliferation. They should not be used to impede the economies of countries of which the west disapproves.

wo months ago, the Cummins Engine company closed down an assembly line in its Mexican subsidiary. With engine one tenth of that in its US factory in Columbus, Indiana, Cummins Mexico could not compete against its US parent, and produc-

Since Mexico tore down trade bar-riers in the mid-1980s, Cummins' subsidiary in Mexico bas seen a trade balance in engines with the US turn into a trade deficit of four to one. The company now produces only one heavy engine in Mexico even this might go when the country'e remaining trade barriers are dismantled, says Mr Steve Knaebel, president of of the Mexican subsid-

tion was moved north.

US critics of the North American Free Trade Agreement, to be voted on by the House of Representatives next Wednesday, say the treaty will encourage US companies to move to Mexico in search of cheap labour. But as the Cummins' case shows, Mexico'e low productivity makes large parts of its economy vulnerable to competition from the US.

"The US is alresdy competing against countries which have much lower wages than Mexico, while many parts of Mexico's economy are still heavily protected." says Daniel Oks, e World Bank economist. "I am not convinced Mexico is well prepared for competition." He foresees bankruptcies and job losses in sectors that cannot hold their own with US rivals - capital goods, for instance - if Nafta passes.

This gloomy view has gained ground as Mexico's economy has stagnated. Gross domestic product grew by just 1.3 per cent in the first half this year, and 23 of the 49 manufacturing sectors tracked by the Inegi, the government statistics institute, were in recession. Even though the economy is eluggisb. Mexico is set to run a worryingly high current account deficit of 6 per cent of GDP this year.

Some Mexican businessmen, who until recently bave been almost unanimous in their support for Nafta, have begun to see the treaty's disadvantages. Lorenzo Servitje, a prominent businessman and the billionaire president of Bimbo, Mexico's bread maker, complained at a business conference in Cancun that Mexico'e abrupt trade liberalisation "has not taken into consider ation that restructuring must be a gradual process, and has failed to appreciate the limitations of our economic structure". Under Nafta, Mexico would sacri-

fice its high protective tariffs, which everage about 10.3 per cent, bnt which rise higher on some goods. The average US tariff on Mexican goods is just 4.5 per cent. More significantly, Mexico would

be launch of the govern-

Partnerships provides an answer to

a puzzle that has been taxing busi-

nesses and agencies involved in

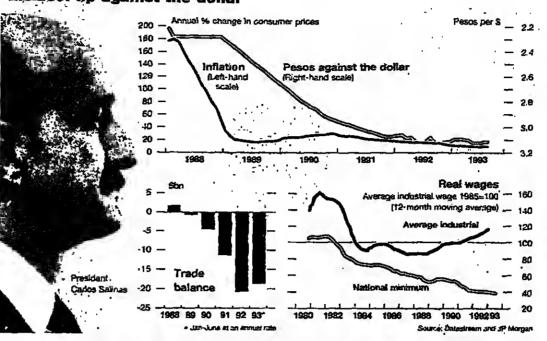
ment's urban regeneration

agency yesterday under the new name of English

Nafta will not solve the deep-seated structural problems facing the Mexican economy, says Damian Fraser

## No such thing as a free treaty

Mexico: up against the dollar



open up to free trade and investment certain sectors that have been fully or partially protected from competition for decades - cars and car parts, banks, agriculture, and government procurement, among others. The US economy, bar a few minor exceptions, is open to Mexi-

can imports and investment. US critics of the treaty claim Mexico has one significant advantage: low wages. Bot wages are not as low as some argue, and in dollar terms have been growing faster than productivity. While Mexico's minimum wage is \$4.20 a day, only 16 per cent of workers earn this amount. Average pay plus benefits in manufacturing is \$4.50 an hour, according to government figures.

The World Bank has calculated that labour costs in Mexico are about a fifth of those in the US, but that productivity is about a quarter of the US level. Since last year, when the figures were calculated. Mexico's peso has appreciated in real terms. Mr Oks of the World any average cost advantage to doing business in Mexico compared to the US.

The Mexican government under President Carlos Salinas has pushed strongly for Nafta in the belief that free trade and the new foreign investment drawn by the treaty will raise low productivity levels. New investment and greater efficiency is expected hy many economists to be a product of the treaty.

Nafta will reinforce reforms and boost foreign confidence in the Mexican economy. Mexico should continue to be able to attract \$20bn of foreign investment a year without problems," says Mr Jeffrey Schott, s fellow at the Institute for International Economics in Washington. A defeat would lead to s cut in those flows."

Many foreign investors in Mexico's stock and money markets have been betting on Nafta. By noon yesterday, the market was up 4.2 per cent on the day, stimulated by renewed optimism over the treaty. But earlier signs that it Bank says he doubts that there is might be rejected by the US Congress had sent the peso tumbling by

almost 4 per cent on Tuesday, thus threatening the government's policy of a strong exchange rate and price

Even if Nafta does spur new investment, as many supporters predict, it is unlikely to be evenly spread. Some sectors - cars, parts of the textiles industry, fruit and vegetables, glass - whose productivity levels compare favourably with those in the US - are likely to prove attractive to foreign investors, but others - basic grains such as corn and wheat - are not because they are inefficient and unmodernised.

Mexico's biggest competitive dis-advantage is the relatively small size of its industrial operations compared with those in the US. Like Cummins, many US companies built factories in Mexico to avoid high tariffs or other trade barriers. But with tariffs on the verge of falling further, some companies have found it makes more sense to export spare capacity from the US rather than to maintain costly plant south of the border.

For instance, General Motors

announced this year that it was going to move production of the Cavalier car in northern Mexico to Lansing, Michigan, where economies of scale beve made costs lower. Quality Coils, a US company decided in April to move its factory from Ciudad Juarez to Connecticut after it found Mexico's low wages did not offset lower productivity. A further obstacle to Mexican pro-ductivity and thus its ebility to capitalise on Nafte is its crumbling infrastructure, lack of qualified managers, and untrained workers. "Its not as simple as wages being one-fifth of those in the US - let's

go to Mexico," says Mr Joseph

Donahue, senior vice-president of

the US subsidiary of Thomson, the

French electronics company.

have to ask, 'Can I buy the tools, where are the managers, what are transport costs, and other things?'" r Donahue says it good manager in Mexico, and when you do. "be will Cummins, points to truck journeys that take 40-60 per cent longer in Mexico than in the US as a disin-

centive to foreigo investors. While Mexico is building new pri-vate toll roads, the cost of the tolls for many businesses is prohibitive. These and other impediments to business - notably high credit costs and an unreliable legal system -may explain why the country has had only limited success in attracting direct foreign investment since liberalising investment regulations in 1989. Since then, Mexico has received a total of \$33.1bn in new nvestment, but only about half of that has been direct investment in plant and machinery. Much of It has been in the service rather than the export sector.

President Salinas proposed Nafta in 1990 to draw foreign money into the country. If the treaty fails, his government will have little choice but to proceed with economic reforms in the faint hope that Mexico will draw the necessary investment from Europe and Japan. The government plans to apply for membership of the Organisation for Economic Development and Co-operation next spring, and is likely to approve a more liberal foreign investment law later this year.

Though the treaty may succeed in persuading US companies to invest in Mexico, competition will prove a nasty jolt for many industries. Deep-seated structural problems will remain, whether or not Nafta passes. Mr Jesus Reyes Heroles, an economist who heads the economic consultancy GEA, says: "If Nafta does not pass there will be a prob-lem next year. If it does, the troubles start in 1995."

## Big guns come to town

John Willman on England's relaunched urban renewal agency

inner-city regeneration.

Which of two contrasting views of its role would prevail? On the one minister, as chairman of the new hand, there are the well-known agency. As secretary of state for views of Mr Michael Heseltine, who Wales between 1987 and 1990, he as anvironment secretary proposed had converted his job into a highthe new agency before the 1992 gen-eral election. He had long camprofile, one-man inward investment agency. Appointed by Mr Heseltine, Lord Walker looked increasingly paigned for an interventionist glish development agency, moduncomfortable in the more conelled on similar organisations in Wales and Scotland, which used strained role envisaged for him by

into areas of economic decline. Or there was the much more limited role seen for the agency when the less interventionist Mr Michael Howard replaced Mr Heseltine at the environment department. The new orthodoxy tended to describe the agency as 'an urban develop-

ment corporation on wheels". Under this much more limited remit, the agency would concentrate on clearing derelict land and putting in infrastructure in urban areas that had not so far been considered important enough to have a

public money to attract investment

UDC of their own. The picture had been muddied,

ex-Arthur Andersen, came from

director as recently as 1988.

and hopefully wiser, than the

exchange's Taurus settlement

of the 100 group of top finance

directors also mean that he will

be listened to in boardrooms that

That said, it is unusual for an

to take such a risk with his career.

After all, there could be very little

left of the stock exchange in three

years, whereas if he stayed at the

running to succeed Mick Newmarch

Perhaps he decided that the Pru

Pru he might have been in the

as group chief executive.

accountant cum insurance man

insurance broking and Lawrence,

ex Price Waterhouse, was hired by the Prudential as its first finance

However, there the similarities

end. Lawrence is a good deal older,

abrasive Rawlins and has first-hand

knowledge of the problems of the

stock exchange's customers. He was an outspoken critic of the stock

flasco. His connections as chairman

bowever, by the appointment of formed the British economy in some Lord Walker, the former cabinet sectors," he told the FT in an intercomes to the UK."

his new political masters. Yesterday'e launch showed that it is the vision of Lord Walker and Mr Heseltine that hes prevailed. English Partnerships will be more of a development agency than a body devoted to clearing contami-

nated inner-city sites.

Even the choice of title – dropping the "urban" and assuming responsibility for the whole of England - indicates that the balance of argument has swung back to those who see a far-reaching role for the new organisation. Lord Walker is clear that he is as

much interested in winning inward investment as in clearing derelict land. "Inward investment has trans-

sectors," he told the FT in an interview yesterday. 'My view is that in the next five years, there is going to be the biggest flow of inward investment into Europe ever seen, and this agency can make a contribution to ensuring that a share of that

Lord Walker also makes clear his desire to work closely with local authorities of all political complexions, after a period in which much Whitehall spending has been directed through local quangos to bypass councils. "Local authority co-operation is very important to us, and we will want to have a good relationship with them. That will make it easier to get things done quickly and more effectively."

Ministers were unwilling at yesterday's launch of English Partner-ships to disclose its funding for next year. With the urban programme already cut from £1.7bn this year to £1.4bn next year, there is keen interest in knowing whether the new quango will start under strait-

Lord Walker is less coy, saying that be expects the total - to be announced in the unified Budget at the end of the month - to be between £250m and £300m. If that is so, English Partnerships will have much the same to spend next year as this.

And Lord Walker says that he is quite content with what be has so far been offered. "It is plenty for year one. I will be able to assess what the need is and then go to the government and say what I think is a sensible figure for the next three years. There will be arguments over the amount of money, but I will be able to say that it will produce this level of economic activity and that it is in the Treasury's interest to put that amount of money in."
A strong card in Lord Walker's hand in such negotiations will be the amount of private investment English Partnerships succeeds in levering in, or attracting, with its

budget. "Some projects involving the clearance of land will produce

no such additional investment," be says. "But in others, I expect public



Walker: his vision has prevailed

investment to lever in up to nine times as much private investment." None of this will happen quickly and Lord Walker is anxious that English Partnerships' success is not judged too soon. "There will be no impact on regeneration next week or the week after," he says. "But I expect to see a real impact after three or four years."

#### OBSERVER

#### would never appoint two Lawrence's non-actuaries in a row to the top stock in trade Perhaps it is just a coincidence, Lingua obscura but Michael Lawrence, the new chief executive of the London Stock ■ Hard to believe that Unigate's Exchange, has followed the same chief executive, Ross Buckland, sort of career path as his luckless hails from Australia, supposedly ecessor, Peter Rawlins. the home of blunt, no-nonsense Both have spent the bulk of their sorts. Talking about his company's careers in big accountancy firms and tested their business skills in the insurance industry. Rawlins,

half-year results yesterday, be admitted that one activity had "negatively impacted profitability". Did this mean that it had made

a loss, he was asked. "Yes," said Buckland, adding that he thought he "had worded it rather well . . ".

Jones keeps up ■ Why has the London Stock Exchange swallowed its reservations about the dangers of fragmentation, and allowed London's established derivatives exchange Liffe and the Swedish-owned tiddler OMLX to have a go at trading derivatives based on the FT-SE Mid 250 equity index?

Both exchanges had wanted an exclusive licence, and it had been more or less assumed that Liffe would win it. But a degree of mutual suspicion appears to persist between the stock exchange, on the one hand, and Liffe, which now trades the equity derivatives that the exchange itself falled to get off the ground, on the other, Surely peacekeeping forces in Sarajevo.

'If you don't feel able to talk to a woman, you can talk to me' Throgmorton Street is not trying to spoil Liffe'e fun? OMLX boss Lynton Jones, himself

an old stock exchange hand, is more interested in what potential customers will think. "The question is whether they are Pro-Liffe or Pro-Choice," he quips.

Battle-ready

■ The search is on for a new general secretary of the Society for Practitioners of Insolvency following the abrupt resignation of the incumbent after only nine months in the job. Indeed, Edward Lowndes has already left - not just

the organisation but also the country, partly, it would seem because he was fed up with the bitter rivalry between the society, which has become the public face of insolvency practitioners, and the rival Institute of Practitioners of Insolvency, which licenses them Clearly he prefers e more peaceful life. He has taken up a job as administrator to the United Nations

Currency juggling ■ Talent spotters at this Saturday's Lord Mayor's show in London

might want to keep an eye open for exhibit number 20 - the Bank of England's horse-drawn float. The Bank, which does not normally participate in such frivolous events is making an exception to mark its 300th birthday next year. Observer hears that the Bank'e contribution to the festivities include dozens of staff who have been specially trained to juggle brightly coloured currency symbols Would be much more fun if they were throwing away old £5 notes.

Main chance

China'e public relations record in its future colony may be less than perfect, but Beijing's de facto embassy in Hong Kong, the Xinhua news agency, seems to think it can sell its services commercially. For Xinhua is taking time off

from flinging verbal mud at governor Chris Patten to set up subsidiary PR agency, Fortune

Subtlety having not exactly been its strongest suit, the agency at least forbears from selling itself on the basis of its expertise. But e spokesman claims that "good credibility and connections (will) ettract a swarm of overseas companies eager to exploit the buge mainland market". Perhaps Patten should reveal

his grasp of capitalism Hong Kong-style and follow suit. With his new-found expertise in crisis management he would definitely have services to sell, though his connections may have a more limited lifespan.

The No's have it Full marks for trying. Retired

bus driver Ken Clark, 79, has just conducted a telephone survey of found that 10 out of the 10 Ken Clark(e)s he contacted are against the government's plans to impose VAT on domestic fuel. Lucky for Ken that Norman Lamont is no longer Britain'e chancellor of the exchequer. As it is, he had to fiddle his figures a bit by counting all the Clarks. whether or not their surname was

chancellor. But then even this government fiddles its figures from time to time.

spelled the same way as the current

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### FINANCIAL TIMES

Thursday November 11 1993



Serbian president shrugs off effects of 2,000 per cent monthly inflation

### Milosevic puts gloss on grim news

"BUT who else?" is the brazen electoral slogan for the ruling Socialists of Scrhian president Slobodan Milosevic, as 2,000 per cent a month inflation plunges Serbia into poverty.

Alr Milosevic last week boasted how "the Serbian economy, in spite of the draconian embargo. is faring even better than countries which receive economic

But even Mr Milosevic's optimistic remarks can no longer mask the impoverishment of the country's 9.8m inhabitants.

While the Serbian president hlames United Nations sanctions for economic collapse, the country's coffers have been emptied to pay for Serb armies in Bosnia and Croatia.

The monthly average wage has fallen below DM10 - which buys

claim that 70 per cent of economic activity is in the grey market, eluding tax collectors. Faced with a huge hudget deficit, the cash-hungry government has flooded the market with dinars in order to boost hard currency

in the most recent effort to lure people into converting their dwindling hard currency savings, the government 10 days ago lifted a three-month ban on converting hard currency through giro accounts - at a premium rate of up to twice the hlack market rate. On Tuesday, however, the government devalued the dinar by 98.5 per cent and made giro payments illegal.

in the crucial run-up to parliamentary elections, set for December 19, the Socialists are keen to put a gloss on the grim economic and wages, decimated by inflation, and return basic staples to grocery store shelves.

Belgrade is also paying more than 1m workers sacked when their factories shut because of the hreak-up of the Yugoslav market and the sanctions. The powerful state television

will persuade Serhian citizens

that there is no alternative to the Socialist party: a pitch borne out hy the failure of the quarrelsome and disorganised opposition to pose a coherent challenge. The ultranationalist leader, Mr Vojislav Seselj, their lone politi-

cal challenger, is being systematically discredited. A paramilitary commander who last year was accused of war crimes by the US. he achieved widespread popularity as the leader of the second higgest political party.

At that point, his meteoric rise

state television and by Serbia's secret police. But after the collapse last month of his unofficial alliance with Mr Milosevic, Mr Seselj became the target of a smear campaign orchestrated hy the state-controlled media and the secret police.

At the same time, the same forces are creating a new satellite, the Serbian Unity party of Mr Zeljko Raznatovic, alias Arkan, a renowned boss of Belgrade's mafia, in order to capture the extremist vote for Mr Milos

Photographs of Arkan, sought hy police in several western European countries and commander of a paramilitary unit accused of brutal crimes in Bosnia, are plastered on the streets of Belgrade. They are not wanted posters, hut advertisements for his election campaign.

#### Lamfalussy urges credible, sustainable policies to influence currency markets

### Euro-bank chief steps softly, softly

By Andrew Hill in Brussels

THE MAN who will be keeping an eye on the next phase of European economic and monetary union yesterday got his first look at the people who will be keeping

Mr Alexandre Lamfalussy, the Belgian president-elect of the European Monetary Institute, the forerunner of a European central bank, was quizzed by members of the European parliament, revelling in their new powers to vet important institutional appointments in the European Union.

But while the deputies blustered through the three-hour session. Mr Lamfalussy remained

Mahatma Gandhi, softly preacbing a policy of passive resistance to currency speculators and imprudent finance ministers.

Mr Lamfalussy, who will launch the Frankfurt-based EMI in January, renounced weapons such as capital controls and central bank intervention. "I think the only way to influence the market is (with) the credibility and sustainability of policies." he told the MEPs. "Credibility leads to (exchange rate) stability. Were current government eco-

nomic policles credible? Mr Lamfalussy refused to be drawn, but he noted some positive effects on the European recession: Whether government policies were deliberately wise or

service early in the next century,

will have twice Concorde's 3,000

nautical mile range, carry 300

whether they were just lucky I don't know, hut the result isn't

It was too soon to consider reforms to the discredited European exchange rate mechanism. following recent currency crises, be said. As a result, Mr Lamfaiussy said it was "improbable" that the European Union would meet the Maastricht treaty's target of Emu by 1997. Instead, a few of the strongest EU economies would probably press on with monetary union in "jumps", rather than pursuing an unwork-

able "gradualist" approach. Mr Lamfalussy told MEPs the EMI would have a staff of some 200 people. They would help him act as an impartial "honest broker" between independent central banks. But certain MEPs seemed unconvinced that Mr Lamfalussy, a Belgian baron and distinguished central banker, would have a real influence over street-fighting national finance

ministers. Given that the EMI is charged only with monitoring and advising on monetary co-ordination, would Mr Lamfalussy's appoint ment really change anything?

The central bankers' central banker smiled inscrutably, "I'm not representing any of the central banks, nor indeed any of the countries, and that will make quite a substantial difference, he said. The MEPs approved his

### US agrees next stage of Concorde project

By Paul Betts, Aerospace Correspondent, in Dubai

THE US has given the go-ahead to the next stage of the programme to build a supersonic airliner to replace the ageing Angle-French Concorde.

The National Aeronautics and Soace Administration will start work next year on the second phase to develop the airframe. propulsion and systems technologies over seven years at an expected cost of \$1.2bn, Mr Lewis Williams. Nasa's director of bigh speed research, said yesterday at the Oubai Air Show.

\$400m, has shown the aircraft to be "environmentally compatible", said Mr Williams.

"We had to ensure that the

emissions, noise and sonic boom

The aircraft, planned to enter environmental issues could be resolved before embarking on the second stage of research," he

passengers - three times Con-Although other government corde's capacity - and operate at agencies, aircraft manufacturers close to standard subsonic air and engine-makers elsewhere are collaborating on the supersonic Nasa began research in 1990. aircraft study, the US appears to evaluating environmental considbe taking a far more active role erations, including atmospheric in research. Nasa's annual effects, nitrogen oxide engine high-speed research hudget has just been increased from \$117m That first phase, costing about this year to \$197m in 1994. although the agency bad asked for \$187m for next year.

The US is keen to catch up with the European aerospace is now studying.

industry's expertise and experience in supersonic airliner development through Concorde, However, any future aircraft is expected to involve broad international co-operation because It is widely accepted that the mar-

ket will bear only one pro-Mr Williams argued that a 300seat supersonic aircraft offering passengers fares similar or slightly higher than for subsonic travel would compete effectively against the new 600-seat subsonic super jumbo conventional airliners which the aerospace industry

#### Speed-up of HK talks sought EC steel plans in deadlock

FT WORLD WEATHER

Continued from Page 1

ish officials see the next round of talks beginning November 19 as a key test of Beijing's willingness to reach an agreement.

Mr Hurd said Mr Christopher Hum, the senior foreign office official responsible for the Far

Europe today

A depression south of Norway will cause rain

Alps, northern Italy and south-eastern France. Showers developing in cold air over the

Attantic will move into Ireland and Scotland

Wales as well as France and northern Spain.

Surmy periods will occur in England and

A few local showers, some with hall, will

high pressure centre over Russia will bring cold air into the northern Balkan states and

Poland where temperatures will remain below

freezing Snow showers will davelop along the

west coast of the Black Sea. Bulgaria and the

former Yugoslavia will have overcast skles

A series of Atlantic depressions will produce heavy rain in north-west Europe, particularly over the weekend. Spain and Portugal will be calm and mainly sunny owing to a ridge of high pressure. A small but active low will cause heavy showers over south-easiem

Europe this weekend. Temperatures will

continue to be below freezing over extreme

develop over the Low Countries. The Mediterranean will be mainly sunny. A strong

over southern Scandinavia, Germany, the

the next round. He will stand in for Sir Robin McLaren, the ambassador in Beijing, who had

Britain wants to double the frequency of the talks to a round per week. Mr Patten said room for manoeuvre was very limited.

Continued from Page 1

of it as far as the Commission

privatisation agency's plan to sell off 60 per cent of the eas

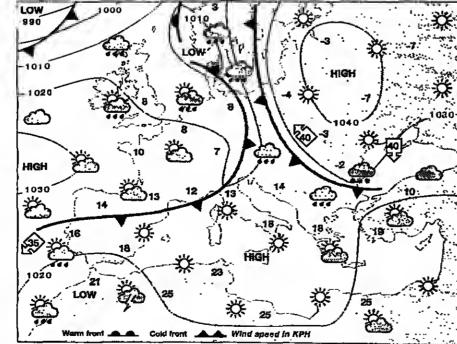
German steelmaker, Ekostahl. He and Mr Martin Bangemann. the ludustry commissioner, last night met Mr Gunter Rexrodt Rexrodt said he would try to find

#### fortnight ago. "We went as far as an operation this week on his we could to persuade the Italian back and will be out of action for authorities that this was the end

some weeks, officials said.

But Mr Van Miert sounded more optimistic about the possihility of altering the Treuhand

# some more capacity cuts before next week's ministerial meeting



TODAY'S TEMPERATURES

Five-day forecast



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#### THE LEX COLUMN

### Disney's big dipper

The real world keeps intruding on Euro Disney's fantasy. Yesterday's decision to change its accounting policies is a clear indication that the decks are being cleared for a fresh injection of equity. By charging start-up costs directly to the profit and loss instead of capitalising them on the balance sheet, the commany is saying future depreciation. The returns to any future investors will thus look greater, even if the immediate result has been to decimate the balance sheet. Under US accounting standards, net assets per share work out at little more than FFr2. Shame on those who fought for the mandate to sell the paper to investors at 707p in 1989.

Euro Disney's new management is applying itself with noble persistence to the task of boosting the project's revenues. But it faces two daunting obstacles. The first is that by cutting prices and adding facilities it is dilut-ing the operational gearing that comes into play with increased attendance. The second is that the project can never generate enough cash to service its FFr21bn debt. Even with the help of eventual economic recovery and a weaker French franc, it is hard to see Euro Disney supporting more than half that amount

The equity injection will thus need to be at least FFr10bn to FFr11bn, which puts Walt Disney on the spot. Without its support the project may simply close, causing irreparable damage to the Disney name. But the amount is large for it to shoulder on its own. One solution might be to seek a trade partner who might find use for the excessively lavish hotels, perhaps hy adding conference facilities. In the absence of a second park, the surplus hotel capacity is certainly a heavy drag. A more scary thought is that, having squandered the proceeds of its flotation, a restructured Euro Disney might come back to the market for more. That, as they say, is show busi-

#### National Power

It is strange that the stock market should take the downbeat message from National Power so seriously. The sharp fall in market share in the first half was partly due to the company's tardiness in building new gas-fired plant. The decline will be much less pronounced from here on. Since the regulator is deciding whether to refer the generating duopoly to the Monopolies and Mergers Commission, National Power has an incentive to err



on the side of caution. That might also explain the disappointing dividend. True, the 14 per cent increase in interim pay-out looks miserly against the 18 per cent rise afforded by Power-Gen. But National Power is sticking to its target of reducing dividend cover from 3.3 times to 2.5 times by 1995. Working capital is being relea surplus coal stocks are run down, so there is hardly a shortage of cash. Annual dividend increases of at least 15 per cent thus look probable, even if

earnings do not grow at all. The profits outlook is certainly becoming less rosy as operating effi-ciencies become more difficult to find. But National Power looks some distance from running out of cost savings. Besides, the £454m provisions in the balance sheet are a cushion against hard times. A £34m slug was released to profits yesterday, in addition to the £45m pension-related credit taken as an exceptional item. A monopolies reference would undermine both generators, regardless of their financial strength. With its shares now lagging those of PowerGen by 13 per cent, National Power may have limited the downside risk.

#### Unigate

Unigate continues to make useful progress rationalising its illogical collection of businesses. Though flattered by the release of provisions and a gain from a pension revaluation, Unigate's rise in headline profits represents an encouraging performance in tough conditions. Buying dairies on the cheap and squeezing extra volumes out of reduced capacity is preving an effective strategy to combat margin

Unigate's shares will continue to be underplaned by their 5.5 per cent yield But the company's 40 per cent outperformance of Northera Poods this year is beginning to look a hine excessive. Northern has attractive investment avenues in which to dive the funds milked from its dairy cash cow. Unique still lacks a suitable re-ipe for sustainable earnings growth With the grocery chains soon likely to apply the squeeze to commodify incomes, the market appears to be coming full-circle in believing handed goods manufacturers are best placed to resist their fatal embrace, But the will hardly be in Unigate's beach.
The success of Müller in graphing so big a share of UK yoghurt sales illus-

#### News Corporation

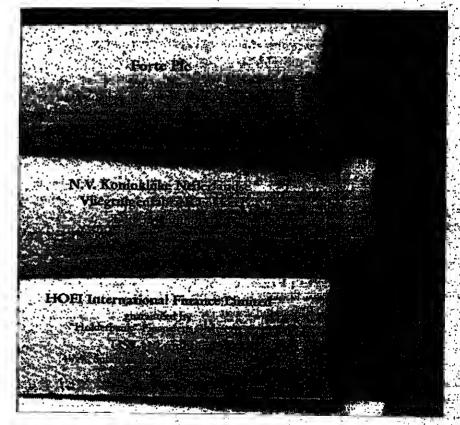
remains on that score."

Mr Rupert Murdoch has hardly put a foot wrong recently, as his latest burst of deal-making and the 10 fold increase in News Corporation's shares since 1991 testify. But he trod in some thing nasty yesterday as News reported a 5 per cent fall in first quar ter operating profits and the contro-versy resurfaced over its plans for a new class of super voting shares with a discussion paper from the Australian stock exchange.
News's book publishing profits were

weaker and problems grew at its free weater and pronums grew at its real standing insert division. But the real hit came from its price-cutting cam-paign in the UK, where newspaper profits slid 15 per cent. Thanks to his non-executive directorship at Philip Morris, Mr Murdoch has had a ring side seat watching similar pricing punch-ups in the US. But Maribore assault has led to a fearful bruising and US cigarette prices now appear to be edging up again. The suspicion grows that any imposition of VAT on newspapers would clock restorative price rises on its UK titles.

The Australian stock exchange i treading gingerly over News's share proposals. It may worry that if it heavily traded stock will switch its listing to the US. But that is no reason to concede a point of principle Besides, News can hardly count on an ecstatic reception in New York, Cal-pers has been among the most vocasous critics of the share proposal. More over, there was heavy selling of News's ADRs after disappointmen grew with its first-quarter results.

When it comes to convertibles, our record speaks volumes.



Given UBS's record in the market, it is easy to take successful issues for blue-chip European corporates like these for granted. But the fact is that all of these issues required a combination of many strengths: in understanding the company and its attractiveness to the market, in judging the strength of domestic and international demand, in committing capital when the timing is right (two of the three were bought deals) and, of course, in distribution. And, perhaps, one more strength which you can take for granted from UBS - a commitment to continuing support, after the issue, with liquidity in the aftermarket.

In large European transactions, UBS has the proven skills to ensure a successful outcome.



**Diabetes** 

drug raises

US group's

#### INSIDE

#### Hoechst may cut payout after 40% fall

Hoechst, one of Germany's big-three chemicals groups, may cut its dividend after a 40 per cent drop in earnings to DM924m (\$545m) in the first nine months. Page 16; World stock markets, Back Page

#### Procordia up 42% to SKr1.5bn Procordia, the Swedish pharmaceuticals and con-

sumer products group, has announced a SKr1.47bn (\$179m) pre-text profit for the three months ended September, up 42 per cent from

#### Steady earnings at Siemens Siemens raised net earnings 1 per cent to DM1.98bn (\$1.2bn) in the year to the end of September, and will pay an unchanged dividend of DM13. Page 18

### US retailers take charges

Woolworth and Federated Department Stores, two leading US retailers, said their third-quarter perfor-mances had suffered as a result of special charges against earnings. Page 17

#### Novell in PC agreement

Novell, the US software company, and Zenith Data Systems, the personal computer subsidiary of Groupe Bull of France, have reached an agreemen which should give Novell a toe-hold in the market for personal computer operating software. Page 17

#### Japan maintains drug earnings

Japan's main drug companies sustained earnings for the first half to September because of firm sales of drugs with wide profit margins and aggress cost-cutting. Page 18

#### Head-to-head for futures volume

The London international Financial Futures & Options Exchange (Liffe) and OMLX, the London Securities and Derivatives Exchange, will compete head-to-head for volume on futures and options on the FT-SE Mid 250 Index. Page 19

#### group, raised interim pre-tax profits 53 per cent to £41.1m (\$60.4m), after Hambro Countrywide; its estate agency chain, returned to profit. Page 20

Agency rebound lifts Hambros

Hambros, the merchant bank and financial services

Death b	rings lit	le in Co	dombo
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veek. The began in tion of the lince then, as measured by the IFC, the market has gained nearly 60 per cent in dollar terms over the year to date.

#### **Market Statistics**

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# Chief price changes yesterday 33 7,2 17 15 15

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Adwest Betterwert	169 168	Ξ	11 11	194C Tadpole Tech	114 289	-	13

# W halts slide in third quarter

GROUP NET profits of DM70m (\$43.2m) in the third quarter helped Volkswagen whittle down losses for the first nine months of this year to DM1.53bn, the troubled German-based motor group

announced yesterday.

Earnings of DM177m at the parent company in the three months the end-September reduced the deficit there to DM768m, against DM946m at the half-way mark and a profit of DM289 in the com-

the Frankfurt stock exchange. VW shares rose sharply in

company attributed most of the group loss to difficulties in the Spanish market, and the high investment costs and advance

payments for new models" which had led to "profit problems" at Seat, its Spanish subsidiary. The letter gave no further datails, although VW had earlier forecast a DM1.25bn deficit at Seat for the full year. Executives at Audi, the quality car subsiddeficit of almost DM200m. The deterioration in the west

European car market had continued unchanged in the third quarter, the letter said, and no improvement could be expected in the coming months.

Group production worldwide had falleu 16.3 per cent in the first nine months to 2.195m vehicles; deliveries to dealers were down 15.4 per cent at 2.162m. and deliveries to customers were 12.5 per ceut lower at 2.33m. lary, last week forecast heavy Turnover was 11.4 per cent lower

parks, although Mr Bourguignon

has reiterated that the second

phase of EuroDisnevland remains

off its pre-opening costs should

improve the prospects for profit-ability in the future.

encouragement from the sharp

rise in French visitors to EuroD-

Mr Bourguignon has also taken

The belated decision to write

a cental part of the strategy.

at DM56.4bn. Only Skoda, the Czech hrand, managed to increase unit sales, showing a 13 per cent improvement to 158,000. Volkswagen marque deliveries were 11 per cent lower, Audi slumped 26 per cent while Seat slid 16.5 per cent

cent, declined 0.7 percentage

**Euro Disney** 

Share price (FFr)

prospects By Paul Abrahams in London

The group maintained its lead-A DRUG produced by Bristol-Myers Squibb, me of the warld's ing market share in western Europe despite a slip from 17.5 blggest drug companies, was per cent a year earlier to 16.4 per found to reduce deaths from diacent. Its share of the German market, where sales slid 22 per

#### betes by 50 per cent. The study by the New England Journal of Medicine has important implications for diabetics, the company and health authorities anxious to keep down costs. The drug, Capoten, should increasingly be used to halt progression of the diabetes, reducing the need for expensive kidney dialysis and transplantation. The results are significant for

Bristol-Myers Squihb because they will help the New Jersey-based group generate additional revenues from its top-selling product with sales last year of more than \$1.6hn.

Capoten's US and German patents and run out in niher markets in 1997.

Analysts warned the trial, the largest of its kind, confirmed what had already been suspected. Mr Viren Mehta, analyst at New York brokers Mehta & Isaly, said: "I'm not sure there will be a dramatic increase in Capoten's sales. Many doctors are already using the medicine and other drugs in its class nf ace-inhibitors to treat diabetics. But the ace-inhibiturs will clearly become the drug of

ied lth

There are about 15m diabetes sufferers in the US, and Im in the UK. Dialysis costs as much as £25.000 per patient a year, while transplants cost about £15,000 and require between £3,000 and £5,000 a year to maintain the patient. Bristol-Myers Squibb believes appropriate use of Capoten, also known as capto-pril, could save \$2.5bn in the US over 10 years.

The three-year study involved 409 diabetic patients using insulin in 30 centres in the US and Canada. Of the 202 patients on placebo, 42 died. Among the 207 nn Capoten only 23 died. The trial was organised by the US

National Institutes of Health. The drug appears to improve circulation in the klaney. improving its ability to process impurities in the blood. The trial showed Capoten nearly halved the risk of high blood levels of creatine which results in reduced kidney function.

Dr Marc Pohl, one of the principal investigators, said: "This study provides a mandata for Capoten to be used for diabetics whether or not they are using

### parable part of 1992, when group pay no dividend - DM2 last year earnings were DM549m. Although the improvement had in a letter to shareholders, the losses for 1993 after a half-way

#### By Christopher Parkes

SAS fall

into red

Alcazar

underlines

urgency of

By Christopher Brown-Humes in Stockholm

SCANDINAVIAN Airlines

System (SAS) has plunged into a

SKr1.75bn (\$216m) loss after

financial items for the first nine months, sharply reversing the

SKr592m profit it made in the

The deterioration underlines

the urgency of the group's

efforts to merge with three other European airlines – KLM Royal Dutch, Swissair and Austrian

Airlines - in the so-called Alca-

It has also ied the airlina to

promise "an intensive result

improvement programme" to

help it get back into profit. The measures baing considered

include job losses, route clo-

sures, and the sale and leaseback

eakening of the Swedish krona,

which produced unrealised exchange losses of SKrl.15bn. A

2 per cent drop in passenger yields and losses on hotel and leisure operations aggravated its

Operating revenues climbed 15

per cent to SKr29.2bn, but this

was outstripped by a 21 per cent

rise in expenses to SKr27.4bn. The airline admits it has fallen

Pre-tax losses were held to SKr1.13bn after a SKr500m gain from the sale of part of SAS Scr-

vice Partner, the airline's cater-

The sirling benefited from a 2

per cent increase in passengers

to 14.1m, while traffic in revenue

passenger kilometres was up ?

The most difficult market has been Sweden, where deregula-

tion has brought a 14 per cent

favourable growth on European

intercontinental and dnmestic

SAS expects its full-year fig-ures to show a slight improve-

ment over the nine-month

results, halped by a stronger

Mr Jan Carlzon, the former SAS president who stepped down

afforts to the Alcazar project,

has warned that the project will

collapse if the European carriers cannot agree on the choice of a

US partner before the end of this

His remarks were quoted in the Swedish daily Svenska Dag-

bladet, which said SAS was planning to cut 3,000 out of 39,000

ptember to devote all his

Compensating for this was

per cent from last year.

Norwegian routes

Swedish krona.

efficiency drive in 1994.

same 1992 period.

zar project.

of aircraft.

lnng been signalled through informal monthly reports from Mr Ferdinand Piech, chairman, the news was well received on

trading, leading a short-lived surge in the DAX index of leading stocks, and slipped later to close DM3.30 higher at DM395. A suggestion from a member of the supervi-sory board that the group should

John Ridding examines the scale of Euro Disney's financial crisis

#### White-knuckle ride for nvestors in Euro Disney have stomached a stream of bad news since the theme park opened its doors on the eastern outskirts of Paris last year. But fantasyland investors

the scale of losses and write-offs announced yesterday shocked even the most hardened of them. Exceptional charges of FFr3.62bn (\$619m) which sent losses to FFr5.3bn for the year to September 30, knocked a large chunk off tha company's capital. The net asset value per share now stands at less than FFr10 compared with yesterday's clos-ing price of FFr38, down 13 per cent on the day. The depressing figures mean

that without a financial restructuring, and soon, there is a questinn mark nver the company's For the moment, Walt Disney,

the US entertainment giant 120 which holds 49 per cent of Euro Disney, seems prepared to step into the breach. "Walt Disney has agreed to belp fund Euro Disney for a limited period to afford it time to attempt its capital restructuring by spring 1994," the European company said yester-

The American group simulta-neously announced that it was taking a \$350m charge against both the winter funding commitment and receivables due from the European business

Walt Disney is a reluctant saviour. From the beginning it has sought to distance its investors from the risks at Euro Disney, supplying less than FFribn of the group's original equity capital. Industry analysts, believe, bowever, that the US group will provide support for Euro Disney, behind schedule m a targeted 8 per cent cut in costs this year, and is promising to beef up the fearing the effect that fallure could have on its reputation.

They have to look after their own investors," says Mr Nigel Reed, leisure analyst at Paribas Canital Markets in London. "But they cannot afford to let a company with the Disnay brand name go under."

The depth of the problems revealed by yesterday's figures means it is crunch time for Walt Disney. "They pretty much have to help and it seems they are now prepared to," says one banker

close to the company. Walt Disney's provision of winter funding buys time for Euro Disney, and the large-scale write-offs should reduce depreciation charges, improving future profits. But a capital restructuring

The central dilemma is that the most likely means of restructuring remains a share issue, probably a rights issue. But the weakness of the share price complicates such a solution. "It would have to be a very big issue to raise the sort of money that Euro Disney needs," said nue merchant banker in Paris.

As a result, a restructuring package is expected to include other measures, such as a renegony's FFr2lbn debt with its bankers. They are also being asked to consider swapping loans into

One further solution involves the injection of fresh capital from a new partner. The group's finan cial problems, however, suggest It will be hard to find ready investors. The task is made all the more difficult by depressed trading conditions. "Europe wide recession, high interest rates and mounting unemployment have all served to reduce disposable incomes." Mr Philippe Bourguig non, Euro Disney's chairman

said yesterday. "Inevitably tour ism has been hit very hard." For Euro Disney the problems have been compounded by the has reduced visits from the UK and Italy in particular. At the end of last month, BA Holidays, the package tour subsidiary of British Airways, announced it was abandoning sales of holidays

to the struggling theme park. The depressed state of the French property market has pre vented the company from realis-ing anticipated revenues from property development. "Euro Dis ney is in a vicious circle of high interest rate costs and disap-pointing revenues," says Mr Reed at Paribas. "The company is in serious trouble."

Mr Bourguignon is responding with a cost-cutting programme. Last month, the company announced it would shed 950 of its 11,100 staff. it has also frozen plans to extend the Freuch thems

### News Corp lifted 21% after associates' contribution doubles

NEWS Corporation, the media, film and publishing group run by Mr Rupert Murdoch, yesterday reported a 21.4 per cent increase in third-quarter profits after tax to A\$262.3m (US\$175m).

After abnormal items profits rose to A\$246m from A\$193.7m. Progress was mainly because of a doubled contribution of A\$78.9m from associated compa-

nies, including BSkyß - in which Pearson, publisher of the Financial Times, has an interest - and Ansett Airlines, and because of reduced interest charges nf A\$173.6m, against A\$206.2m. Operating profits from the main group fell almost 5 per cent

to A\$412.2m. News Corp said this

reflected the cost of the newspa-

per price war in the UK - where newspaper profits fell 15 per

the "free-standing insert" divi-

In the US, the filmed entertainment division saw operating profits advance from A\$15.8m to A\$42.5m, helped by releases such as Rookie of the Year, Robin Hood - Men in Tights and Rising Sun. However, the HarperCollins publishing business saw weaker

earnings Book publishing overall con-tributed A\$75.9m, compared with The release of the results coin-

cided with publication of the Australian Stock Exchange's discussion paper on Mr Murdoch's controversial plan to create a new class of shares with "super" voting rights, which would be issued on a pro rata basis to The plan - seen as a means of

cent - and reduced earnings from reinforcing Mr Murdoch's control - has run into criticism from institutions.

Looking at arguments for allowing differential voting rights, the ASX said it could encourage management commitment, counter short-termism by investors and induce companies to issue equity rather than debt securities. It also noted that share schemes should be a matter for shareholders, not the exchange.

Conversely, the ASX said such shares could be seen in "entreuch" management; increase the opportunity for the abuse of minority shareholders; and deprive shareholders of a potential takeover premium.

The ASX asked interested parties to submit answers to 26 ques-

# POSSESSION

isneyland. In the past two

months, they accounted for about

But the bright spots at EuroD-

isneyland remain few and far

between. They will mean little if

Mr Bourguignon fails to pull off

Warld stock markets, Back Page

Walt Disney results, Page 17

45 per cent of the total

his restructuring.

Lex. Page 14:

IS 9/10

OF THE FUN.

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#### INTERNATIONAL COMPANIES AND FINANCE

### Hoechst may cut dividend again after 40% decline

By Christopher Parkes In Frankfurt

SHAREHOLDERS in Hoechst, one of Germany's big-three chemicals groups, may face a further divideod cut this year following a 40 per cent earnings decline in the first nine mooths to DM924m (\$543m), chairman Mr Wolfgang Hillger hinted yesterday.

The company was likely to withdraw from unprofitable businesses if conditions did not

improve, be said. Although he gave no further details, he said he was particularly unhappy about the European fibres business and polypropylene manufacture.

The size of the 1993 dividend would depend on developments in the final quarter and the early part of the new year, he

However, October had not lived up to expectations, prices were still unsetisfactory and there had been no change in incoming orders. The payout last year was cut to DM9 from DM12 a share.

The group said domestic business was oot expected to deteriorate further, and sea-



Wolfgang Hilger: payout depends on developments in final term

sonal improvements were likely to lift pharmaceuticals operations in north America. In a gloomy review of the year to the end of September, Mr Hilger highlighted the poor performance at the German pareot, Hoechst AG, where operating results were deep in the red. Its pre-tax profits of DM367m, down 55 per cent oo 1992, stemmed entirely from investment income, he said.

While group turnover was more or less stable at DM34bn,

and volume sales were hardly

cent lower and prices had

Worldwide operating profits from pharmaceoticals were

changed and prices were down 1 per cent, nine-month sales at Hoechst AG had dropped 10 per ceot. Volumes were 6 per

dropped 4 per cent. Turnover in the healthcare businesses contributed the largest proportion to group sales for the first time, relegating chemicals and dyes to sec-

DM200m down on the compara-

### Unigate rises 20% to £50m

By Maggie Urry In London

A ONE-FIFTH rise in interim pre-tax profits to £50.3m (\$75.95m) at Unigate, the UK food and distribution group, was "a good performance in difficult trading conditions". chairman Sir Brian Kellett

However, the rise owed much to acquisitions and oneoff items. Comparable profits growth of 14.3 per cent would slow in the second half.

Mr Ross Buckland, chief executive, said promotions by retailers were causing sharp month-to-month fluctuations in fresh food volume, which made production inefficient and squeezed margins.

But he questioned whether retailers would becefit from price cutting. "I would suggest oot," he said.

Retailers' price cuts had particularly hit low-fat spreads and yogburts. Mr Buckland

NEW ISSUE

said. But good volume growth had been achieved in desserts. Operating profits from dairies rose by half to £18.6m as acquisitions, such as Clif-

ford Foods, were integrated. Three dairies had been closed and the group now produced a third more milk. He said the dairy business had a good future, although doorstep deliveries of milk -

where margins are higher were declining at an annual rate of 10 to 12 per cent. Unigate's margins on supermarket milk were unsatisfactory, he said, although volumes had Unigate, which has 16 per cent of the liquid milk market in England and Wales, would

"pleased to huy milk in whichever way dairy farmers wish to sell it" once the Milk Marketing Board is abolished next year. He was confident the group could buy the milk it needed at the right price under

the auction eystem proposed by Milk Marque, the successor

to the MMB. During the half there was a cash outflow of £70.1m. of which £20.1m represented excess of acquisitions over dis-posals. This increased net debt to £172.1m from £98.2m at the previous year-end, giving gearing of 52.8 per cent.

The interest charge rose from £4.7m to £7.1m, but interest cover was "healthy" et seven times, Mr John Worby, finance director, said.

The rise in debt was partly caused by the cancellation of the sale of Unigate's US restaurant business. Mr Buckland said the aim was to float this in the next 12 to 18 months. but Unigate could make more acquisitions before then. Ha indicated these could be in continental Europe Observer, Page 13; London SR. Page 29; Lex, Page 15; Details,

#### Siemens earnings steady at DM1.98bn

By Christopher Parkes

SIEMENS, one of Germany's most recession proof industrial concerns, improved net earnings by I per cent to DML98bn (\$1.2bn) in the year to the end of September, and will pay an unchanged dividend of DM18. Incoming orders fell by 2 per cent, the first fall for seven years, but deliveries of outstanding orders helped Sie-

Falling demand in Germany led to a drop of 6 per cent in domestic orders. Turnover in Germany rose 2 per cent to DM37.3bn. Foreign demand rose 2 per cent, while sales climbed 5 per cent to DM44.4bp. The effects of recession were felt most strongly in antomation, drives, switching technology, and medical elec-

mens increase global sales by

4 per cent to DM81.7bn.

tronics, the company said. The results were adversely affected by heavy losses at the compoter business, Siemens Nixdorf Informationssyteme (SNI). However, the deficit shrank to DM419m, from DM513m in 1992, oo turnover down 9 per cent at DM11.9bu.

No earnings details were available on semiconductors, although incoming orders rose 83 per cent during the year and sales increased 14 per cent to DM2.1bn.

Telecommunications, the largest group of businesses within the group, recorded sales increases of 3 per cent in the public sector and 16 per cent in private networks.

However, public orders tropped 7 per cent, reflecting the international squeeze on government spending, while the turnover from private telecommunications was bolstered by the first-time consolidation of the IIS Rolms business.

Sales by the KWU power generation subsidiary jumped 32 per cent, although new orders rose by only 1 per cent. Stemens Verkehrstechnik. the railways arm, increased tarnover 32 per cent to DM3.6bn and booked 35 per ent more new orders than in 1991-92. This was the only operating division not to redoce its workforce during the year.

## Hydro and Eni in fertiliser venture

By Karen Fossii in Oslo and

NORSK HYDRO, Norway'a biggest stock market listed company, and EniChem Agricoltura, part of Italy's Eni group, are to merge their aouthern European fertiliser activities into a joint venture. The deal, subject to regula-tory approval, should be ready by the first quarter of 1994.

First-year sales for the oew company, which will have some 800 employees, should reach about L800bn (\$487m). The venture will comprise EniChem Agricoltura's two

most efficient plants at Ferrara and Ravenna and Hydro's ferItaly, southern France, Spain, Greece and Portugal.

The merger has been triggered by difficulties in Europe's fertiliser business caused by gross overcapacity and severe price competition. Matters have been exacerbated by lower demand from farmers and a sharp rise in imports, especially from eastern-

over-capacity in the European fartiliser industry, making structural changes necessary, said Norsk Hydro. . It estimates about 4m tonnes

as well as both groups fertil- tion will be shut down been sold, while a unit in higher marketing organisations in

1994, Both companies have experienced difficulties with their fertiliser activities. Hydro suffered operating losses of NKr237m (\$32m) on fertiliser sales of NKr16hn in 1992. The previous year, it took a NKrl5bn restructuring charge for its fertiliser activities. The group has shut down about .5m tonnes of fertiliser pro-This has led to a substantial duction capacity.

EniChem has been restructuring, although its efforts have been hampered by political difficulties and Italy's tough job protection laws.

Although the fate of its other facilities is unclear, observers say the two plants being contributed to the joint venture may represent EniChent Agricoltura's only capacity in the

fertilisers field. The Norwegian company will contribute annual fertiliser production of 500,000 tonnes out of the group's total capacity of an estimated 10m tonnes while EniChem will contribute

up to 1.5m tonnes. The two companies intend to review whether other associated activities will be included in the new concern.

Gota Bank

posts modest

improvement

GOTA Bank, the state-owned Swedish bank due to be priva-

tised by the end of this year.

yesterday reported an operat-

ing loss of SKr3.48bn (\$1.05bn)

for the first nine months of

1983, e modest improvement on

the SKr9.43bn loss sustained in

the same period last year. The bank said its credit

By Hugh Carnegy

### National Power hit by payout

By Michael Smith in London .

NATIONAL Power, the UK's largest electricity generator, yesterday diseppointed the market with a dividend increase at the bottom and of expectations and a downheat trading statement.

A 24 per cent rise in pre-tax profits to £250m (\$273m), for the half-year to September 26 ceot, was helped by a £45m release from provisions follow-ing a favourable decision on pension equalisation by the European Court of Justice. Without this, the profit rise would have been just 2 per cent from 1992's £201m.

Mr John Baker, chief executive, warned that the company's share of the electricity generation market could fall to

By Christopher Brown-Humes

PROCORDIA, the Swedish

pharmaceuticals and consumer

products group, yesterday announced a SKrL47bn (\$181m)

pre-tax profit for the three months ended September, up

42 per cent from the same 1992

The company, which is con-trolled by the state and the

Volvo motor group, is in the

process of being split into two

separate companies. The drugs

side is likely to be privatised next year. Volvo is hidding for

coosumer products

the

operations.

below 30 per cent following a reduction during the half year to 33 per cent from 41 per cent. Analysis had expected a relatively downbeat statement from the company but the shares fell by 9.5p to 402.5p. The result was achieved on a 21 per cent fall in turnover,

The improvement was helped by a further reduction in the company's workforce, which fell to:6,700 from 7,300 last March. That compares with more than 17,000 at privatisation three years ago. The dividend rises 14 per

down to £1.56bn from £1.97bn.

cent, to 3.75p from 3.3p - covered 3.3 times by earnings of of 12.2p per share compared with 11.5p last year. The company has aims to reduce cover to about 2.5 times but will imple-

Procordia lifted by drugs division

The first-quarter results

show that it was Pharmacia, as

the pharmaceutical and hio-

technology operations will be

known, that was the main con-

tributor to the performance

with a : pre-tax profit of

Branded Consumer Products

(BCP), which Volvo is seeking

to acquire as part of a trade-off with the Swedish government,

Analysts said the figures

were unlikely to affect the

terms of Volvo's bid for the

outstanding 26.3 per cent of

BCP which it doesn't own. A

made a SKr563m profit.

SKr911m.

ment the change over two to

three years. The results were the company'e last before Professor Stephen Littlechild, electricity industry regulator, decides whether to refer National Power and PowerGen, a rival generator, to the Monopolies and Mergers Commission over

their market power. Work will start on the company's second combined cycle gas turbine power plant, at Didcot, Oxfordshire, early next year, Mr Baker said, and the plant will be commissioned in

1997. The company was likely to build a third CCGT at Staythorpe. Nottinghamshire, by the end of the century. Lex, Page 15; London SE, Page 29

might have forced Volvo to

improve its offer. The terms

soared 88 per cent to SKr6.55bn

thanks to currency factors and

the inclusion of the newly-ac-

quired Italian pharmaceuticals group Farmitalia Carlo Erba

(FICE). The unit more than

doubled income from ongoing

operations to SKr996m from

SKr408m, after FICE made a

first time contribution of

Revenues at BCP fell 8 pe

cent to SKr5.47bn and income

from ongoing operations was 2

SKr203m.

value BCP at SKrll.9bn.

losses had shrunk to SKr7.8bn in the nine months from Gota's operating loss after

the inclusion of financial insurance and SKr7.61bn in drawndown state guarantees was SKr785m, compared with a loss of SKr1.56bn the year before. Gota said it had by Septem-

ber utilised SKr13.8bn in state guarantees out of a total of SKr15bn pledged by the government to rescue the bank from the loan loss crisis which crippled the Swedish banking sector last year.

The government, which was forced to take over Gota during the crisis, is to strip ont SKr43bn of the bank's bad assets into a so-called bad bank, called Retriva, which will stay in state hands when Gota is sold.

P. Bayer

 $\{\chi_{ij}, \,\, \pm i\}$ 

The state is considering bids from Skandinaviska Enskilda Banken, Handelsbanken and Nordbanken of Sweden. The single foreign bidder is understood to be General Electric of

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#### INTERNATIONAL COMPANIES AND FINANCE

### Walt Disney hit by \$350m charge for French park

By Martin Dickson

WALT Disney, the US entertainment group, yester-day reported a fourth-quarter net loss of \$77.8m after taking a \$350m charge associated with Euro Disney, the troubled French theme park in which it holds a 49 per cent

The company reported a 10 per cent drop in operating income, from \$395.8m to \$356.7m, on revenues which advanced 5 per cent to \$2.2bn, while the net loss worked through at 15 cents a

111

[[11]

In the fourth quarter of last year Disney made \$224m, or 42

in Euro Disney resulted in a This loss of \$414.5m for the quarter theme including the \$350m charge and a loss of \$514m for the full

Walt Disney said the need for a financial restructuring at Euro Disney had created uncertainty about the American compeny's ability to collect its current receivables from Euro Disney and ahont its provision of temporary funding to the

Its \$350m charge would fully reserve it against both, with roughly 50 per cent of the sum accounted for hy the funding. Walt Disney's theme parks

and resorts saw operating income fall II per cent in the ents e share. quarter to \$190.4m on revenues. The company'e investment down 6 per cent at \$333.7m.

reflected theme park attendance and fewer occupied room nights. Filmed entertainment saw operating income down 22 per cent at \$94.9m on revenues up

12 per cent to \$879.8m. The

company attributed the drop to

an unusually strong 1992

fourth quarter. Consumer products posted an 18 per cent increase in income, to \$71.3m, on revenues 23 per cent higher at \$361m. For the full year, the group reported net income of \$299m. or 55 cents a share, down from \$816m, or \$1.52 a share, after accounting changes and Euro

Disney charges. Its operating income rose 20 per cent to \$1.72bn on revenues 14 per cent higher at

apparel sales Mr Allen Questrom, Federated's chairman and chief executive, said reductions in operating expenses had enabled it to counter the effect of weak sales and higher price mark-

On an operating level, earnings were np 3.6 per cent at \$103m, compared with \$99.5m a year earlier.

Woolworth as well as Federated were in line with Wall Street's expectations and both stocks advanced modestly in morning trade. By mid-day, Woolworth was up \$1/4 at \$21 and Federated added \$1/4 to

#### Property groups to invest in Mexico

By Stephen Fidler in London and Damian Fraser in Mexico

PROPERTY companies run by Mr George Soros and Mr Paul Reichmann have confirmed their intentinn to go-ehead with \$1.05bn in real estate developments in Mexico City, city officials said yesterday.

They said they expected con struction to start immediately and take four to five years to complete. The three projects involved - developments in Santa Fe, Alameda and twin tower blocks on the city's main avenne, Pasen de le Reforma - Include office. bousing, and hotel develop-

ments.

Details of the exact participations would be settled in December, but city officials said more than 50 per cent of the investment was expected to come from foreign SDUFCES.

Mr Mannel Camacho, Mexico Clty's mayor, described the investment as "a vote of confidence in the Mexican economy and the economic reforms of the Salinas government". He said it was "a long-term project indicating confidence in the long-term future of

The announcement was made yesterday with Mexican financial markets highly nervous over the North American Free Trade Agreement, which is expected to be voted on by the US House of Representa-

up 4.2 per cent by noon vesterday, after the perceived victory of US vice-president Al Gore over Texan billionaire Ross Perot in Tuesday night's debate on the North American Free Trade Agreement.

fourth quarter.

#### Novell gains OS market foothold sonal Servers, pre-loaded with already locked into contracts with large dollar issues on the

NOVELL, the US software company, and Zenith Data Systems, the personal computer subsidiary of Groupe Bull of France, have reached an agreement which should give Novell a toe-hold in the market for personal computer operating software.

The operating system (OS) is the software program that controls the basic functions of a computer. The OS market is dominated by Microsoft of the US, which charges manufacturers a licence fee for each computer sold with its MS/DOS system. Most of the world's 00m personal computers run MS/DOS. Apple personal computers are the major exception. In January, however, Zenith

is set to launch a line of personal computers, called Per-

Noveli's DOS software, a program that directly competes with Microsoft's MS-DOS.

Analysts said the move would represent a significant breach of Microsoft's control over the PC operating system software market. A broader deal, being evalu-

ated by Groupe Bull's Zenith as well as Packard Bell, the US PC manufecturer in which Bull last year acquired a 19.9 per cent stake could enable Novell to encroach still further into Microsoft's territory.
ZDS is considering pre-loading Novell's latest version of DOS on its desktop PC prod-

ucts. PC huyers would be given a choice of using the Microsoft or Novell operating systems. No PC maker has yet pre-

loaded its machines with Novell DOS. Computer companies with Microsoft that require them to pay a royalty fee on

every machine they ship. Microsoft, however, asserts that its licensing policies apply to particular PC models, rather than to the full range of a PC manufacturer's products. A spokesman also noted that computer makers can opt to license Microsoft software on a per copy basis, if they choose. With Novell apparently offer-

than Microsoft for DOS programs, other PC manufacturers are expected to watch Zenith's moves closely. Mr Raymond Noorda, Novell chief executive said: "These manufacturers are in a low

ing more favourable terms

make a penny on every one of "They cannot fool around

margin business. They want to

get computers out the door and

costs of what they ship. Paying Microsoft a royalty is a signifi-cant part of the total cost."

Zenith is understood to have apent months searching for a loophole in its Microsoft DOS licensing contract to ensure it would not owe royalties to Microsoft for its new Personal Servers. The contract stated that royalties would not be owed on machines that could not run Microsoft DOS. Zenith engineers made sure this would be the case for the new computers.

While allowing computers on a local area network to run existing software, the Personal Server, which controls the network, will be driven by Novell DOS. PC users on the network need not know nor care which operating system is running on the Personal Server, experts

### Lower sales hurt US retailers

By Frank McGurty in New York

TWO LEADING US retailers yesterday said their third-quarter performances had suffered as a result of special charges against earnings. Woolworth and Federated Department Stores revealed disappointing sales figures, in contrast with a batch of retailers reporting a day earlier.

Woolworth, which recently announced plans to close or reposition 970 of its general merchandise and specialty stores in North America, said a \$480m proviaion relating to the restructuring programme contributed to a third-quarter loss of \$452m, or \$3.43 a share.

A year earlier, it posted net income of \$65m, or 50 cents. Stores posted net income of \$20.3m, or 16 cents, after taking a one-time charge of \$15m for .federal tax changes

If the provision were excluded, earnings would have increased 11.7 per cent to \$35.3m, or 28 cents, against \$31.6m, or 25 cents, in the corresponding period of 1992. For Woolworth, sales

declined 4.6 per cent to \$2.38bn. However, the decline largely stemmed from the poor performance of its general merchan-dise stores, which recorded a 10 per cent sales slump, By contrast, apecialty shopa showed a modest 1,8 per cent Sales at Federated were vir-

tually flat at \$1.78bn. The company, which operates Bloomingdale's, Jordan Marsh, Federated Department Lazarus and other full-line department stories, said the

performance was weaker than expected and hlamed it on unusually warm weather this antumn, which depressed

downs.

The announcements by

tives next Wednesday. Mexico's stock market shot

into the new year.
Trizec initially hoped, when it published its proposals in Angust, to complete the

But Mr Derrick Tay, a lawyer who represents an infor-mal committee of debenture hnlders, said yesterday: "We cannot be rushed."

number of offices to 350 in 72 bearer form, and their holders

into common equity.

#### Adia announces deep loss and rights issue

By lan Rodger in Geneva

ADIA, the Swiss temporary employment agency group. reported deepened losses in the first nine months of the year. It blamed high interest charges but said its equity would be boosted by SFr200m (\$24m)in its second capital restructuring in less than a year.

The group also revealed that German retailer Asko Deutsche Kaulhaus had agreed to sell its Adia stake to Mr Klaus Jacobs, giving Mr Jacobs a controlling 56.2 per cent holding. Adia's operating profits in

the first nine months were SFr33.4m, compared with a loss of SFr83m in the same period of last year. Net loss jumped to SFr112.2m from a loss of SFr70m, but the group forecast it would break even in the

It said the increase in operating profits reflected rising

demand in the US, Britain and Australia, and cost-saving measures in Europe and Japan.

The capital reatructuring plan raises SFr100m through a rights issue underwritten by Mr Jacobs. An additional SFr100m would be created by the conversion of loans held by a banking consortium led by Credit Suisse, A representative of the banking group would take a seat on Adia's board of

Adia would also propose at an annual meeting on December 2 that holders of its participation certificates swap them into bearer shares.

 Sulzer, the Swiss engineering and medical equipment group, said its order intake of SFr4.4bn in the first nine months of 1993 was 3.3 per cent lower than in the same period of last year. It expected fullyear net profit to be similar to last year's SFr168m.

#### Goodrich to acquire Rosemount Aerospace

By Laurie Morse in Chicago

B.F. GOODRICH. Ohio-hased specialty chemical and aerospace company, is to acquire Rosemount Aero-space from the Emerson Electric Company for \$300m in cash, pending regulatory approval. The acquisition is the largest

in Goodricb's history, and strengthens the company's position as a producer of intelligent aircraft monitoring

Analysts said the sale by Emerson reflected continuing consolidation in the US aerospace industry.

Rosemount Aerospace, based in Burnsville, Minnesota, posted fiscal 1993 sales of \$130m and has 1,200 employees, with manufacturing facilities in Minnesota and Bognor

Regis, UK. Mr David Burner, president

of B.F. Goodrich Aerospace said: "This acquisition is a significant step in our planned growth as a developer and integrator of aircraft systems."

Goodrich employs 12,000 and had sales of \$1.6bn in 1992. Its aerospace division reported operating income of \$27.4m in the third quarter, on sales of \$243.2m.

 Huntsman, the US's largest privately-owned chemicals group, yesterday continued its acquisition campaign with the purchase of two American businesses of Monsanto. The transaction price was not disclosed, writes Pani Abrahams.

The operations, with a comhined annual turnover of \$200m, manufacture linear alkyl benzene, used ln detergents, and maleic anhydride, a chemical contained in bathroom fixtures, mouthwash and artificial sweeteners.

### CNN owner tumbles in quarter

By Martin Dickson in New York

TURNER Broadcasting System, which owns the CNN television news aervice, yesterday reported net income of \$1m in the third quarter, down from \$12.5m in the same period of .

last year: The fall was due to the costs of overseas expansion and a \$6m extraordinary charge for early termination of debt.

Mr Ted Turner, the chairman, said the company's core

Linde warns of

sharp retreat in

fork-lift demand

engineering group, warned yes-terday that group profits for 1993 would be hit by a drastic

downturn in demand for fork-

lift trucks and other materials

For the nine-months group

sales dropped to DM5.17bn (\$3.07m), 4.1 per cent down on

(\$3.07m), 4.1 per cent down on the previous year, while order intake fell 2.7 per cent to DM5-26bn. For the whole year group sales would be around DM7.2bn, 5 per cent down from last year, Linde sald.

Turnover in the meterials beneding division fell 17 per per cent down from the meterials.

handling division fell 17 per

cent and orders 16.8 per cent in

the nine months, after strip-

ping ont the effect of last

year'a purchase of Fiat OM Carelli, an Italian fork-lift

HELABA FRANKFURT Landesbank Hesse

SOCIETE GENERALE -EL SASSISCHE BANK & CO.

handling machines.

the German

By David Waller in Frankfurt

ment in new businesses, particularly overseas.

By Andrew Jack

well, with advertising revenue up 11 per cent. The decrease in profitability is primarily related to investfrom \$46.9m to \$48.2m,

"The impact of this sort of

valued asset in the long-term."

ARTHUR Andersen, the accountancy firm, yesterday announced fee income up 8 per

cent to \$6bn in the year to

August 31.
The figures relate to the global results for Arthur Andersen & Co., the Swiss-

based organisation. They

included a 6.6 per cent rise to \$3.2bn from Arthur Andersen, the accountancy firm, and a 10

per cent rise tn \$2.8bn for

Mr Lawrence Weinbach,

managing partner-chief execu-tive of the firm, who was in

London for its annual partners' meeting, said the results reflected the firm'a focus on

"consistent high quality client

He said that revenues would have been up by 11 per cent at

1992 exchange rates, but that

Andersen Consultir

business performed relatively up from \$456.4m, while earnings per share worked through at zero, compared with 5 cents. Turner's interest burden rose

investment is consistent with our past philosophy of sustain-ing operating losses in the near-term in order to create a The company's operating profit dipped from \$64.1m to \$59.9m on revenues of \$501m,

Operating profit at the entertainment segment rose 6 per

**Arthur Andersen posts** 

8% climb in fee income

business was up 22 per cent at \$8m, and syndication lost \$10m. 56m more than last year. For the nine months the group reported a \$254m net loss after a \$306m charge for accounting changes, compared with a profit of \$48m.

> the increase was less marked because of a strengthened US

dollar during the year. In line with its normal prac-

tice, the firm refused to pro-

vide any information on its

countries from 318.

(DEUTSCHLAND) AG

WESTIDELITSCHE LANDESBANG

# By Bernard Simon in Toronto

TRIZEC has delayed a vote on its C\$1.2bn (US\$926m) debt-restructuring plan to give securities holders more time to evaluate proposals made by the Calgary-based property developer.

The company said yesterday that meetings to approve the plan, which were scheduled for December 7, will not be held until at least early-1994, and may be postponed well

restructuring by late-October.

profits. It argues that it is under no chligation to issue this information, has no outside investors and that the figures would be misinterpreted. The firm increased staff dur-ing the year to 65,591 from 59,680 and partners to 2,487 from 2,454. It increased the

The global results included a 12 per cent rise in revenues from the UK firm, up to £407m. It would not split the figures between Arthur Andersen and Andersen Consulting Revenue was \$3.3bn in the Americas, \$2.2bn in Europe, Middle East, India and Africa, and \$531m in Asia/Pacific.

#### Trizec delays vote on plan for shake-up

The seven-member committee includes representatives of Union Bank of Switzerland, Commerzbank, Westdeutsche Landesbank and Canadian institutions. Many of the debentures, however, are in

cannot be easily traced.
Trizec has debts totalling
C\$5.4bn. The plan is designed to relieve a heavy deht-servic-ing burden over the next twothree years by converting and junior debentures as well as preferred shares

#### All of these securities having been sold, this announcement appears as a matter of record only.

November 11, 1993

6,000,000 Shares



### John Alden Financial Corporation

Common Stock

These securities were offered internationally and in the United States.

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INTERNATIONAL

Merrill Lynch International Limited

The Robinson-Humphrey Company, Inc.

ABN AMRO Bank N.V.

Cazenove & Co.

Couning & Company Fox-Pitt, Kelton N.V.

Dresdner Bank Paribas Capital Markets

United States Offering 4,800,000 Shares

**CS First Boston** 

Alex. Brown & Sons Merrili Lynch & Co.

The Robinson-Humphrey Company, Inc.

Bear, Stearns & Co. Inc.

Donaldson, Lufkin & Jenrette

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Morgan Stanley & Co.

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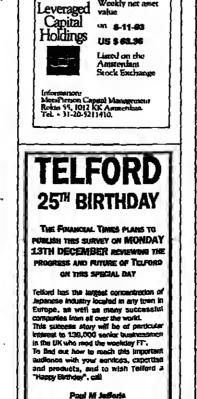
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FT SURVEYS

OK Bazaars to

be delisted after

#### INTERNATIONAL COMPANIES AND FINANCE

#### Western **Mining** warns of flat results

By Midd Tait in Melbourne

WESTERN Mining Corporation, the large Australian minerals and metals group dogged by recent controversy.

told shareholders yesterday it expected flat first-half profits. "We expect that the financial result for the first half of 1993-94 will be comparable to the first of last year, Sir Arvi Parbo, chairman, said at the annual meeting in Melbourne. He said it was not possible to predict the full-year result yet, and declined to forecast when metal prices might show any significant turnround.

Last year, WMC saw pre-tax operating profit fall 23.8 per cent, to A\$156.6m (US\$105.1m). Profit after tax and abnormals was A**3**64m

At a packed meeting, the chairman faced s barrage of critical questioning from representatives of the Australian Shareholders' Association. Topics included the presenta tion of the company's results, disclosure of accounting principles, and the cost and current valuation of the group's investments in North America.

One shareholder also wanted to know why "heads had not rolled" over the Ernest Henry deposit debacle earlier this year, which led to WMC losing control of the rich copper-gold deposit in northern Queensland, and paying out A\$20m in

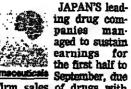
legal settlement expenses. The problem arose when it merged that WMC employees had trespassed on a lease held by another mining company to gather data, and then withheld the result while arranging an option deal over the

"The reason why heads didn't roll was that there wasn't any intent to deceive, any dishonesty," said the chairman. He added that it would have been "against the interests of the company to lose people with high levels of

 WMC also told shareholders tha WMC Finance arm had raised US\$400m through the issue of two tranches of debt securities in New York. The capital-raising involved \$250m. of notes due 2009.

### Takeda ahead at halfway stage

By Emiko Terazono in Tokyo



aged to sustain earnings for the first half to Pharmaceuticals September, due to firm sales of drugs with wide profit margins and aggressive cost-cutting efforts. Takeda Chemical Industries,

the industry leader, said its profits grew on brisk sales of new drugs, although pharmaceutical sales remained almost

Healthcare items, including its wide variety of "pep" drinks, fell 10.2 per cent due to the cold summer, while sales at its chemicals division were hit by a fall in demand from the electronics and car industries, declining 4.5 per cent. For the full year to March Takeda expects unconsolidated sales to remain flat at Y565bn

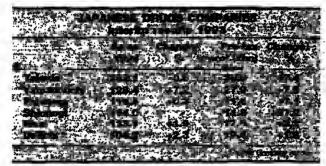
(\$5bn), and pre-tax profits to fall 3.2 per cent to Y75bn. Yamanouchi Pharmaceutical said pre-tax profits for the first half fell due to the fall in interest income as interest rates

declined. However, operating profits were up 4.5 per cent to Y26.7bm due to brisk sales of its ulcer drug and a new

diuretic compound. The company expects full year non-consolidated pre-tax profits to rise 0.6 per cent to Y57.5bn on a 6.7 per cent increase in sales to Y260bn. Fujisawa Pharmacentical

For the year to March, Fujisawa expects parent company pretax profits to rise 1.1 per cent to Y236bn and sales to remain flat at Y236bn. Aftertax profits are expected to increase by 2.2 times to

The company revised up its consolidated forecast for the year, due to a pickup in earnposted firm non-consolidated ings at Pulisawa USA. The



pre-tax profits, but on an aftertax level saw a 44.9 per cent piunge to Y1.8bn due to an extraordinary loss on shareholdings of its unprofitable US

However, the company said firm sales of antibiotics helped company expects a 28.5 per cent rise in consolidated pretax profits to Y18bn instead of an initial forecast of a 7.1 per cent fall to Yl3bn.

Shionogi said its cost-cutting efforts lifted unconsolidated operating profits by 28.7 per cent to Y9.2bn.

sales of its allergy formula, overall sales remained flat due to sluggish revenue of its antibiotics. For the full year, it expects a 11.1 per cent rise in pre-tax profits to Y24hn on a 0.4 per cent increase in sales to

Rizal saw a 42 per cent rise in its pharmaceutical division thanks to firm sales of its ulcer

· Full year pre-tax profits for the parent company are expected to rise 2 per cent to Y32bn on a 24 per cent increase in sales to Y224hn.

Dalichi Pharmaceutical said will raise its interim dividend by Y1 per share to Y7 and annual dividend by Y2 to Y14 as it pledged to raise its payout ratio on its bond issuance last

The company saw a jump in sales of its antibacterial drug and antihypertensive compound. However, the yen's appreciation caused a foreign hange loss of Y900m. For the year to March, Dalichi sees unconsolidated pre-tax profits rising 18 per cent to Y38.5hn on a 4.3 per cent sales increase to Y210bn.

Carter Holt

net profit

By Terry Hall

boosts interim

FORESTRY group Carter Holt

Harvey yesterday announced a

significant improvement" of

47.1 per cent in net profit to NZ\$165.3m (US\$90m) in the six months to September 30.

The company is controlled

ny a joint venture between

International Paper of Naw York and Brierley Investments,

with 65 per cent of its shares held publicly:

Directors said that the for-

estry and wood products sector achieved earnings before inter-

est and tax of NZ\$145.6m, a rise

of 146 per cent over the same period of last year.

Sales grew 36.9 per cent to

Record high prices for export ogs to Asia led to substan-

tially higher profits in forestry.

The group also benefited from

increased construction which

for panels and building sup-

plies to reflect export values.

#### **Swedish** steel group moves back to profit

By Hugh Carnegy In Stockholm

FIRMER prices and lower processing costs helped SSAB; the Swedish steel group, swing to a pre-tax profit of SKr355m (\$43m) in the first nine months from a SKr123m loss in the same period last year.

The company said it expec ted a full-year profit of around SKr600m, a dramatic rebound from losses last, year of SKrissm. SSAB, which was privatised

last year, said it had benefited from the price rise in Europe after European steelmakers cut production in response to a 10 per cent fall in consump

The price effect was enhanced for SSAB by the devaluation of the Swedish krona, which left prices for the group's products 5 per cent igher in krona terms in the first nine months than in the same period last year. Higher steel prices were the

main factor behind a 6 per cent rise in sales to SKr9.38ba. At the same time SSAB said it achieved a 4 per cent cut in processing costs through improved productivity and capacity adjustments and a 5 per cent cut in employee numbers to 9,500.

SSAB said demand for steel in western Europe would remain weak for the rest of the year and price trends would depend on levels of out-

But it made its full-year forecast based on the group's improved efficiencies and the

lower krons. The biggest division, Tunn-plat steel plate, fell from a loss of SKr113m in the first nine months of 1992 to a profit of SKr27m this year, on sales up 10 per cent to SKr4.56bn. Group net cash flow improved from SEr70m to SEr188m.

One-off charges of SKr80m to cover a blast furnace breakdown and the reinstate 200 workers ordered by the Swedish labour court were in large part offset by a capital meant adjusting local prices gain of SKr40m from sales of shares in Volvo and Sydkraft.

poor six months 93 cents and the dividend was increased by a similar amount

By Philip Gawith in Johannesburg

OK BAZAARS, once South Africa's leading discount department store, is to be delisted after more than 60 years on the Johannesburg stock exchange. The decision by the company's owner, South African Breweries, follows a poor half-year in which OK Bazaars ran up a bottom line loss of R40m (\$12m).

The move was revealed yes-terday as South African Breweries, the country's largest consumer company, announced its interim results. The group overcame a difficult operating climate to record a 13 per cent increase in attributable profit to R288m in the six months to September from R252m a year

Mr Meyer Kahn, chairman, said that although South Africa's protracted recession appeared to have levelled out, it had seriously weakened private consumption expenditure. The group did, however, manage to increase turnover by 10 per cent to R11.8bn. Pressure on margins, how-

ever, saw trading profit rise by only 8 per cent to R97km, but lower rates of interest and taxation helped boost attributable

earnings.

Earnings per share rose by 11 per cent to 103 cents from to: 39 cents from

Mr Kahn said the short-term prospects for the economy remained highly uncertain, with progress towards elec-in tions next April sure to beaccompanied by disruption. Although not predicting growth "of any consequence until late-1994, the group is seeking to maintain the cur-rent level of performance for the remainder of the financial

An indication of the severity of the recession is the fact that beer volumes fell slightly compared to the same period in 1992, a rare occurrence in the industry. Beer division profits, however, rose by 12 per cent to

The group's other interests ranging from furniture and clothing to hotels and glass also increased their contribution by 12 per cent, to R76m (R68m). This figure, however, disguises some uneven perfor-

Earnings per share at Plate Glass rose by 74 per cent, while furniture company Afcol, appliances group Lion Match and clothing retailer Edgars all performed well. Furniture, footwear and clothing group Amrel, however, made

#### Tiger Oats increases net income by 7%

By Philip Gawith

A LOWER tax bill helped Tiger Oats, South Africa's largest food group, record a 7 per cent increase in attributable income to R357m (\$106m) in the year to September, up from R335m last

Low levels of consumer spending continued to place pressure on margins. Turnover grew by 9 per cent to R10im, but operating income fell by 3 per cent to R659m. Earnings per share rose by 3 per cent to 237 cents and the dividend was increased to 82 cents (79 cents).

The management is not expecting improvements in its markets in the year ahead, but expects to post better results on the basis of improved operating efficiencies. Mr Robbie Williams, executive chairman, forecast "reasonable earnings" for 1994. Although still regarded as a blue chip stock,

the share has fallen out of favour recently, falling to a current level of R41.50 from a high earlier this year of R50. Mr Williams said Tiger Foods had suffered from recession with both sales volumes and prices under pressure.

### Mitsubishi Estate pre-tax falls

By Robert Thomson in Tokyo

MITSUBISHI Estate, tha Japanese property developer and agent, reported a 5.3 per cent fall in pre-tax profit to Y30.98bn (\$286m). This was despite a 43 per cent increase in first-half sales following the recovery of domestic demand for apartments.

Japanese property compa nies have been forced to dis-count rents and selling prices

construction during the past from an increase in demand for four years has left larger cities at and ard apartments, rent with a glut of commercial and luxury residential properties.

Mitsubishi is fortunate in having large holdings in the

Otemachi business district of

Tokyo. However, more

recently, it has ventured into new areas, including Yokohama, where prices and rents have fallen sharply. Sales for the period were Y204.8bn, up from Y142.5bn in the first half last year. Apart

income was boosted by the completion of two large com plexes, though profits were eroded by the resulting increasa in depreciation

For the full year to March Mitsuhishi Estate is forecasting sales of Y430bn, against Y349bn last year, and a pre-tax profit of Y50on, compared with Y70.6bn. Net profit is expected to be unchanged at Y37bn.

#### Indian share discounting opposed

in New Delhi

GREYCOAT PLC

\$50 million Zero Coupon Bonds due 1995

(the "Zero Coupon Bonds")

Notice to Bondholders

The Board of Greycoat PLC yesterday posted to its

shareholders a circular (the "Circular") giving details of a new

proposed financial restructuring of the company and

describing proposals to give Bondholders the option to

exchange all or any of their Zero Coupon Bonds for new 9.5

per cent, unsecured Eurobonds due 2003 of Greycoat PLC.

Holders of Zero Coupon Bonds requiring a copy of the

Circular and/or seeking further information are advised to

Nigel King or Ken Beiser

Salomon Brothers International Limited

Victoria Plaza

111 Buckingham Palace Road

London SW1₩ OSB

Tel: London (71) 721 3790

Fax: London (71) 721 2834

INDIA'S main financial institutions have opposed a move hy some Indian companies to consolidate their hold-ings through preferential share allotments at prices lower than those prevailing in the stock

The heads of India's largest financial institutions met offi-

cials from the finance ministry and the central bank this week to stress the need for a rational policy on preferential share

pricing. Financial institutions have agreed that neither Indian promoters keen to strengthen control of their companies nor multinationals seeking enhanced equity should be allowed differential share-pricing to the extent that other

sonable discounts.

#### shareholders are heavily disad

The meeting follows the decision last month not to allow the founding family of Mahindra and Mahindra, a Bomhaybased vehicle and heavy engineering goods manufacturer, to buy stock at less than one third the market price. The institutions were not averse to praference allotments at rea-

£150 million Stepped Coupon Discount First Mortgage Notes due April 2002 (the "Britannic Bonds")

Notice of Meeting

The Board of Greycoat PLC yesterday posted to its shareholders a circular (the "Circular") giving details of a new proposed financial restructuring of the company. The proposed financial restructuring includes proposals affecting

Notice is hereby given convening a meeting of holders of Britannic Bonds at 10.03 am (London time) on Friday 3rd December 1993, at Exchange House, Primrose Street, London, EC2A 2HS, details of which are set out in the

Holders of Britannic Bonds requiring a copy of the Circular and/or seeking further information are advised to contact:

> Victoria Plaza 111 Buckingham Palace Road

Tel : London (71) 721 3790

#### GREYCOAT PLC

holders of Britannic Bonds.

Nigel King or Ken Beiser Salomon Brothers International Limited London SWIW OSB

Fax : London (71) 721 2834

### COMMERCIAL PROPERTY

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3.95% per annum. The Interest Amounts payable will be U.S. \$100.94 per U.S. \$10,000 Note and U.S. \$1,009.44 per U.S. \$100,000 Note. The Interest Payment Date will be 10th February, 1994.

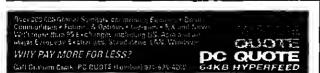
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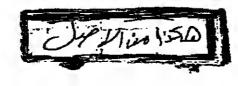
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### FINANCIAL TIMES THURSDAY NOVEMBER 11 1993

# Prices data dismay spurs long-dated Treasuries fall |Liffe and OMLX

FT FIXED INTEREST INDICES

By Patrick Harverson in New York and Sara

LONGER-DATED Treasury prices fell yesterday morning in the wake of a consumer prices report that failed to live up to the US bond market's most optimistic expectations. By midday, the benchmark

30-year government bond was down & at 100#, yielding 6.184 per cent. At the short end of

#### BONDS

. بعرف ا

 $s_{i+2} = s_i^{(w)} \cdot s_i$ 

· Marine

the market, the two-year note was down i at 90%, to yield 4.125 per cent After Tuesday'a surprisingly weak producer prices figures, traders and investors had hoped the October consumer prices data would prove

equally bullish for fixed-in-

come securities. In the event,

however, the government reported that the consumer prices index rose by 0.4 per cent last month.

Although this was broadly in line with most analysts' forecasts, disappointment that the PPI number was not as encouraging as the CPI figure sparked

early selling by dealers.

when commodities pricas began to inch higher. Cantious trading ahead of the afternoon auction of \$11bn of 10-year notes also contributed to the

EUROPEAN markets again

■ GERMAN paper dropped on the combination of the US CPI news and further supply in the roughly in line with the market's expectations

The bund futures contract opened at 99.77 and traded in a range of 99.43 to 99.78, with the was trading at 99.50.

market'a early weakness.

took their cue from the US in the absence of striking domestic news, and the release of a disappointing CPI figure for October dragged the main fixed-income markets down in

form of 10-year Treuhand bonds. The Bundesbank's decision to shave one basis point off its repo rate - from 6.39 per cent to 6.38 per cent - barely caused a ripple as it was

US news taking the futures down to the low of the day. By late afternoon, the contract Dealers reported little ontright buying of the new Treu-

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"يوغكيرا		Nov 9	Nav	8	Mov 5	Noy 4		Nov 3	
OR Edged Burga		205.6	101.		1127	90.9		88.1	•
-Day sweeter		119.8	96.	3	95.4	92.9		195.3	
SE activity indica	S LEGISTRE	d 7674							

day, jumped to a high of 115.27

early in the day, but slipped

hack to 114.84 hy late after-

dated issues lost about &. with

the US inflation news provid-ing the highlight of the day. "We try to be independent

until lunchtime, and after that

we're slaves to the US," said

tors continued to switch out of existing Treuhand issues into the new bond instead.

HIGH-YIELDING European bond markets opened on a strong note, but slipped back on the US figures. The Italian market was given

an initial boost by the the previous night's progress on the 1994 budget. The senate passed a key part of the budget on Tuesday night, and dealera said it was widely expected now that the full budget -which aims to cirt L31,000bn from next year's deficit - will be approved by the end of the

Tradars noted two-way one dealer. movement in Italian bonds, Traders expect the gilt marwith some participants worried ket to go through scorething of about the general political background and prospect of a lull ahead of the November 30 Budget. The Liffe gilt future,

 
 Coupon
 Rad Date
 Price
 Change
 Yield
 Week sign
 Month sign

 9.503
 0.803
 121.1202
 -0.369
 8.53
 6.55
 6.69

 9.000
 03/03
 118.1000
 -0.450
 7.04
 7.08
 7.30
 7.500 12/03 106.2002 -0.025 8.78 6.91 8.77 8.000 06/03 110.8002 -0.100 6.44 6.40 6.51 6.000 09/03 100.7750 -0.285 5.89 5.86 6.96 4.800 05/89 109,8165 +0.102 2.82 2.91 3.20 4.500 05/03 107.2689 -0.002 3.49 3.56 3.82 NETHERLANDS 7,000 02/03 107,9920 -0.280 5.86 5.82 5.83 new supply over the next few days. Others, meanwhile, were more optimistic in view of the 10,900 06/03 114,0000 progress made on the hudget. Tha BTP futures contract, which closed at 114.90 on Tues-5.750 08/03 101-15 +4/32 8.250 08/23 100-25 -

BENCHMARK GOVERNMENT BONDS

8.000 04403 110.3500 +0.080

LONG-DATED UK governwhich closed at 114.06 on Tues- level since June 12, 1987. ment bonds slipped back a quarter of a point, while shortday, was trading at 113.29 hy late afternoon.

INTERNATIONAL CAPITAL MARKETS

Index-linked gilts saw some of the biggest losses on the day, falling up to half a point.

■ JAPANESE government hond futures rallied strongly again and closed at a new sixyear high. The December futures contract opened at 115.28, peaked at 115.44, and closed at 115.36, its highest

The finance ministry held an auction of Y500bn of 2.4 per

According to Tokyo Trust International, the auction "did

cent four-year paper, the first such sale of four-year deht since 1988. It sold the bonds at an average yield of 2.308 per

not go as well as planned, as major observers stayed away and the issue was bought by a handful of brokers and banks".

### **NEW INTERNATIONAL BOND ISSUES**

ket the right to choose".

"I think its a disappointing decision because dual listing is unlikely to be a successful forcoula," said Mr Michael Heath, a director of Smith New Court,

## to compete for Mid 250 volume

By Tracy Corrigan

THE London International Financial Futures & Options Exchange (Liffe) and OMLX, the London Securities and Derivatives Exchange, will compete head-to-head for volume on futures and options on the FT-SE Mid 250 index, it was

announced yesterday. The London Stock Exchange yesterday made a surprise deci-sion to award licences to introduce derivatives on the index of medium-sized UK companies to both exchanges. No launch date has yet been set by either

The confrontation is particularly significant because Liffe products are traded in futures pits, using the traditional openoutcry method, while OMLX is an electronic trading system. The battle will therefore be viewed hy proponents of each trading coethod as a vital test

Mr Mark Makepiece, head of indices at the stock exchange, said that to award an exclusive licence to one exchange would have oceant "denving the mar-

The decision was welcomed hy some traders as "a coura-geous step", but others feared that the creation of two rival contracts would split the liquidity of the market.

a leading UK equities market-

oreig

It is possible that the contracts will co-exist but most traders think it more likely that one will gain the upper hand. Liffe has several advantages: it already trades FT-SE 100 futures and options; many houses already have teams on the Liffe floor, and it is generally hetter-known.

But OMLX also has its supporters. It is cheaper, requiring no additional deployment of staff, and some dealers believe that the electronic exchange is ideally suited to trading low volume contracts - they cite Liffe's poor record in equity options to date.
The success of any contract

will depend on the level of interest among fund managers, who are expected to use the oew contracts for asset allocation and for hedging.

The FT-SE 100 has underperformed the 250 by 11 per cent so far this year, underlining the lack of correlation between the two markets. The FT-SE Mid 250 index is

becoming more widely used by UK fund managers, some of whose now track the FT-SE 350 index (FT-SE 100 and 250) rather than the FT-A All-Share Index.

exchange's contract over another's will ultimately be decided by traders, since fund managers are unlikely to specify which exchange's contracts should be used.

### Hydro-Quebec comes with £200m five-year offering

By Tracy Corrigan

DESPITE a heavy flow of deals across a wide range of currencies yesterday, dealers said supply was likely to start ahat-Among a variety of small- to

> INTERNATIONAL BONDS medium-sized deals, Hydro-

Quebec launched a £200m five-

Dealers said there was still appetite for sterling paper among overseas and domestic investors, particularly at the shorter end of the market.

year issue via SG Warburg.

ply in the five-year area, due to France via IBJ International.

small yield spread over the

However, the Hydro-Quebec deal was criticised for its aggressive pricing. The launch spread of 60 basis points over the 7% per cent gilt due 1998 was described as several basis points too tight. Although political worries about Quebec have eased, Hydro-Quebec's credit rating has slipped to Al from Moody's and to A. from

Standard and Poor's. At the end of trading, the deal was being offered at a yield spread of 62 basis points over the curve. In the Canadian dollar sec-

tor, the spate of longer-dated horter end of the market.

There has been a lack of sup10-year deal for Crédit Local de

FT/ISMA INTERNATIONAL BOND SERVICE

been searching furthar along the steep Canadian bond yield

curve for higher returns.

Although the Crédit Local deal was launched at a spread of 18 basis points over the 10year government bond, the spread over the interpolated yield curve between 10 and 30 years was only about three basis points. Consequently, the deal was more attractive to retail investors, who like the 7 per cent coupon, than to insti-

tutional buyers.

IN the Yankee bond market, Zeneca Group, the bioscience hasiness demerged from ICI. launched its second bond issue on Tuesday. It was a \$300m offering of 30-year bonds, arranged by Goldman Sachs. A \$300m 10-year Yankee bond

#### US DOLLARS SGZ(d) 101.50 Nov.2003 2.50 98.85R Dec.1988 0.25R +60 (TV4-98) SG Warburg Securities FRENCH FRANCS CANADIAN DOLLARS Nov.2002 0.25R 101.00 Dec.1988 1,625

Final terms and non-calable unions stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager, \$Convertible, \$Floating rate note, \$Semi-arminal coupon. B: Build re-offer price; leas are shown at the re-offer level, a) Coupon pays 8-month Libor + 0.25%; minimum 69%, maximum 10%, b) Unitated block note, Coupon pays 3-month Libor + 2%, c) Plangs 17/1/88, Calable from 20/3/85, subject to 130% note, at 103% declining 1% per armin, d) Convertible into FRN on 28/1/85 à 28/11/01 with coupon of 6-month Libor - 0.05% and Nov.2008 manufly, e) Long 1st coupon. Coupon pays 3-month Libor + 0.45%. fixed arminst in 1st year and 18.2% - 2 x 6-month Pibor thereafter, h) Spread is over the intercolleged visid curves.

and the only issues on offer pear investment Bank via

The proceeds of both deals which falls due in January.

Dentsche Bundespost, the note programm have generally provided only a Wood Gundy. Investors have will be used to repay the bulk

The balance will be drawn

German post office, has estab

Deutsche bundespost, the note programm The proceeds of both deals which falls due in January. • Dentsche Bundespost, the note programme, arranged by

#### BAA secures rail finance

By Daniel Green

BAA, formerly known as the British Airports Authority, has secured the first round of bank financing for its proposed rail link between Heathrow airport, which it operates, and Paddington station in central Lon-

Japan's Export Import Bank (Exim) has agreed a loan facility of up to £135m towards the said it would use £30m of the venture hetween BAA and

LIFFE EQUITY OPTIONS

the balance to be drawn "if required". The terms of the loan were undisclosed.

BAA is in talks with about another 30 banks over shortand long-term loans, and is likely to announce a deal soon with the European Investment Bank.

About two-thirds of the financing will be fixed-term over

The rail link project, called facility early next year, with state-owned British Rail.

#### **MARKET STATISTICS**

RISES AND FALLS YESTERDAY

General Motors 7/2 95	Pelic   Perunc   Pelic   Perunc   Pelic   Pe	Franci Men 360 35 50 2 48 2 11 2 16 20 2 12 3 3 00 18 24 2 31 27 31 2 36 12 12 20 2 11 2 16 20 2 12 12 12 2 11 2 16 20 2 12 12 12 12 12 12 12 12 12 12 12 12 1	Amentral 45 5tg 7tg 9 2tg 4 5tg 7tg 7tg 7tg 7tg 7tg 7tg 7tg 7tg 7tg 7	Jan 229 187 148 113 Feb 245 205 167 133 Jan 1 277 - 203 Jan 1 277 - 203 Jan 281 281 281 Jan 28	148 102
Bigs of France 7% 00   50.78   93.25   28375   50.00   10.00	to at a premium. Fix other natura piesse refer to the Budde to the London Store Service.  TRADITIONAL OPTIONS  First Dealings Nov. 8 shown in Saturday editions.	PRICE INDICES   Wed   Day's   Turner   Nor change   Nor	AVERAGE GROSS REDEAPTION YES  IN INTEREST 1953 IN INTEREST 1954 IN INTERES	Infex options are settlement in the settlement i	Tue Year Nov ago

BADGERLINE Group, the

Avon-based bus company which is coming to the market

this month, yesterday fixed its

flotation price at 115p a share

The group is forecasting earnings of 8.4p per share for

the year to December 31, giv-

ing a prospective multiple of

The board is also indicating

a notional dividend of 4.1p, for

A total of £47m is being

gross yield of 4.5 per cent.

HOZELOCK, the garden

equipment manufacturer, yes-terday finalised its flotation,

pricing the shares at 250p to give the company a higher-

than-expected market capitalis-

Last month, when the com-

pany announced record operat-ing profits of £5.1m on turn-

over of £32.3m for the year to

September 30, the capitalisa-

tion was expected to be £50m. Mr David Codling, chief exec-

utive, said the company had

level of interest from inves-

Hozelock is placing 11.2m

ordinary shares with institu-

tions, of which half will be sub-

ject to a clawback to meet

retail demand through inter-

At the offer price pro forma

A PRICE of 190p a share was fixed yesterday for the flotation of Litho Supplies valuing the com-pany, which claims to be the UK's largest inde-

pendent distributor of printing products, at

Litho, a £20.7m management buy-out from

Pembridge Investments of DRG's Litho supplies business in 1990, is coming to the market by way of a placing and intermediarles offer which

will raise £14.2m net of expenses, The company supplies products ranging from high-technology electronic equipment to conventional consumables to about 10,000 small and

About 14m shares are being placed with insti-tutions, with up to 6.18m subject to clawback for

the intermediaries offer. The funds will redeem

£7.3m in preference shares and repay £4m in

mezzanine debt. The balance will reduce other

On forecast pro forma pre-tax profits of £5.17m

(£3.4m) for the year to end-December, the issue

borrowings of £5.5m in secured-term loans.

medium-sized companies

By David Blackwell

ation of £59.5m.

valuing the group at £99.8m.

### Estate agency recovery helps Hambros to £41m

HAMBROS, the merchant bank and financial services group. yesterday disclosed a 53 per cent rise in interim pre-tax profits, helped by a return to the black by its Hambro Countrywide estate agency chain.

The group, which disclosed its balance sheet for the first time at this stage, made a pretax profit of £41.1m (£26.9m) in the six months to September 30. Its undiluted earnings per share rose by 56 per cent to 12.6p (8.1p).

The retail financial services division including Hambro Countrywide made a trading profit of £1.1m (£4.9m loss restated). The group said Countrywide had returned to profitability in June as house sales

Profits from banking activities rose to £40.3m (£37.3m), although the contribution from treasury and capital markets fell slightly. There was a 'marked increase" in coroorate finance, and loan provisions fell by a third to 26m.

Sir Chips Keswick, chairman of Hambros Bank said treasury and capital markets activity was slightly down on the evels of last year because currency markets were not so volatile. "I would have said that was e windfall period," he

Sir Chips estimated that some 20 per cent of profits in derivatives were from proprietory trading. He said that over time treasury profits would face declining margins, but that it would continue to produce good returns this year.

uring group, is selling its 65.4

per cent bolding in Bous-

teadco, its Singapore-based subsidiary, to Jack Chia-MPH, for £12.8m.

The reasons for the disposal

are threefold: to eliminate a

position where a substantial

proportion of assets are tied up

overseas which are difficult to

**Boustead sells Singapore** 

subsidiary for £12.8m



Oirect investment activities traded at a profit of £4.1m (£100,000 loss restated following the listing of Hambro Insurance Services Group).

A profit of £9m from the disposal of a holding in Telemastics will be included in the sec-

Mr Christopher Sporborg, chairman of Hambro Group Investments, said the housing recovery had been weaker than hoped, but Hambro Countrywida expected to sell up to 50,000 properties this year, compared with 39,000 last

The balanca sheet footings increased by £742m from the year end to £6.59bn. This was mainly due to a rise in acceptances, and increased activity

ically and financially; and to

use the proceeds to pursue

acquisitions in the group's core business in the UK and

in 1992 Bousteadco had sales

of £39.3m and pre-tax profits of

£900,000. At December 31 the

group's sharebolding in the

company equated to a net asset

in equity clearing on behalf of regional stockbrokers. The interim dividend on 20p ordinary shares was raised to

Shares fell 24p to 344p amid disappointment at Hambros failure to benefit as much as others from buoyant trading conditions. Full-year undiluted earnings per share of 300 would give a prospective multiple of about 12. Together with a gross dividend yield of 5.4 per cent, this hardly makes a risky investment. But with weak loan demand, 6 shaky housing market, and the best of trading profits past, it is hard to discern the source of strong earn-

#### Restructuring talks at Ossorv

The directors of Oasory Estates, property concern, said that they were in advanced negotiations with banks and other creditors concerning a restructuring of the group's

They said that while no assurances could be given as to the successful outcome of these talks "it is hoped that an announcement will be made by the end of the month."

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#### Bibby dives to £7m and omits final dividend

By Peggy Hollinger

J BIBBY & Sons, the conglomerate which is planning to spin off a substantial part of its business to pay off borrowings of £123m, yesterday passed its final dividend as annual pretax profits plunged by 78 per

The dive in profits from £32.2m to £7.1m for the year to September 24 wiped 11p from the company's shares to 68p. The share price has fallen from a high of 127p in the last

higher at £791.5m. Mr Richard Mansell-Jones. chairman, had little comfort to offer chareholders as be warned that any recovery was not likely to occur in the curreut year.

However, he was confident of an improvement in Bibby's prospects in the medium term after demerging its science, paper and agricultural products businesses next year. He said existing shareholders could expect a post-demerger dividend of 2p. Mr Mansell-Jones admitted

that the acquisition of Finan-zanto, the Spanish Caterpillar distributor bought for £82m last year, had gone seriously wrong. "No one ever envisaged it [the Spanish construction market] would go down this far," he said. The market had "completely disappeared" in

Bibby's capital equipment division, which distributes Caterpillar in Spain and Portu-gal, returned sharply higher losses of £18.2m (£1.8m) as a result. Some 27.8m of tha increase was due to interest charges following the acquist-tion of Finanzauto. Mr Mansell-Jones said the group had cut its Spanish workforce by 25 per cent to 1,500, resulting in on-going cost savings of

about £5m. Materials handling enjoyed brighter fortunes, bowever, returning a 14 per cent pre-tax increase to £15.5m. These two divisions will be renamed Stratford after the demerger. The agriculture, science and paper products businesses will retain the Bibby name. The group aims to raise some £75m from the flotation, which will be used to reduce its gearing of about 70 per cent. Debt fell from £135.5m to £122.8m dar-

ing the year.

The group's earnings per share fell from 20.09p to 2.26p. Barlow Rand, the South African group which owns 79 per cent of J Bibby, will retain 79 per cent of Stratford and 20 per cent of the new Bibby.

#### Glengate makes £80m disposal

Glengate Holdings, the privately owned property development company, has sold tha Plaza on Oxford Street, London, W. for about £80m to an undisclosed overseas buyer.

The shopping centre and office development produces an income of £6.69m a year which is expected to rise to £7.5m when current rent reviews are completed and additional space let.

#### Mersey Docks' rights acceptances

Mersey Docks and Harbour Company has received accep-tances for 22.2m shares (92.4 per cent) of its rights issue. The balance was sold in the market at an average 420.4p, against the 330p rights price.

saw plenty of potential to expand in Europe, where It had Litho Supplies gets £50m

tag with 190p issue price

giving a p/e of 17.8. The notional dividend of 6p gives a gross yield of 3 per cent, and is covered 23 times.

benefit of certain existing

shareholders, of which £31m is

being placed with institutions and 216m being offered to the

Badgerline has grown into

one of the biggest providers of

local bus services. The com-

pany began as a £3m buy-out from the National Bus Com-

pany in 1986, and now operates

2.300 buses and coaches in the

Midlands, South Wales and the

Lazard Brothers, with Caze-

Hozelock valuation £60m

The flotation is sponsored by

south of England.

The flotation will raise £18m net, of which £5.4m will be used to redeem existing preference shares and £8.5m to repay bank and shareholder loans. The remainder will be added to working capital.

The company underwent a £24m management buy-out from Ropner in 1990. It has more than 300 products, and accounts for two-thirds of the UK watering and spraying The group is now owned 14

per cent by its management with the rest in the bands of institutions. After the flotation the management and institutions will hold 53 per cent. Mr Codling said the company

with pricing at 250p built its market share to 2 per

close on November 19 and deal-

ings are expected to begin on

. This pricing offers a yield pre-

mium to the market and is

pitched at a discount to Stage-

coach, the Perth-based bus

operator which came to the

market in April Badgerline

for example, we are coming in at not an imrea-sonable price." said Mr John Byford, joint man-

The total dividend of 6.5p the directors would

have recommended for the full year would have

given a gross yield of 4.28 per cent. The dividend

would have been 2 times covered by earnings

per share of 12.97p. A final dividend of 0.7p will

be paid for the period to end-December from

date of listing. In future Litho intends to pay

interim and finals approximately in the propor-

The intermediaries offer closes on November

16 and it is expected that dealings will start on

Litho likes to compare itself with the giants of

the printing industry which would makes its

rating cheap. True, the new flexible, computerled technology on which Litho is pluning its hopes of growth is likely to find favour with the

kinds of small businesses which already patron-

ise the company and in which the large manu-

other investors by Panmure Gordon and the public offer of

a further 10m shares was 2.7

Albert Fisher, the food pro-cessing and distribution group, has divested Charles Sidney as

part of a strategy to refocus the group on its core

tion of 40 per cent: 60 per cent.

• COMMENT

Badgerline float price set at 115p

raised including 29m for the nove as brokers. The offer will

As with many companies in the recent wave of flotations, Hozelock stands alone in its market sector, making a judg-ment of its performance difficult. It is dominant in the UK, with 66 per cent of the watering equipment market. While there is probably room for organic growth and broad-ening of its markets at home it will have to look increasingly towards Europe. In those markets it will be faced with stiff competition from Gardena, the private company that dominates the German market and has annual sales of more than DM300m (£122m). While a strong brand name and sound gement since the buy-out are likely to prove attractive to many investors, at a p/e of 17.8 the shares are fully priced.

has taken over seven other for-mer NBC operations and will have been set at a level which look to further acquisitions to should ensure a comfortable. maintain earnings growth. The but not excessive, premium. Independent Insurance

scope for consolidation of the

many remaining privately-owned and municipal bus com-

panies. To analysis who ques-tion whether Badgerline can

continue to dely the long-term

decline in bus usage, the group points both to its increasing efficiency and the future of

environmentally friendly park-

and ride schemes, such as it

has organised in Bristol. In the

short term, the price seems to

## given £98.5m tag

INDEPENDENT Insurance, the first insurer to obtain a listing .' since the second world war. vesterday announced an issue price of 225p per share, valu-ing the group at £98.5m, writes Richard Lapper.

A placing and intermedi-aries offer by Lazard Brothers and Noble & Co will raise about £25.1m net to fund growth.

The group issued 11.8m new ordinary shares and 400,600 ordinary shares were sold by existing institutional ahareholders. Some 6.67m ordinaries are being placed firm and 5.53m are being placed subject to recall to satisfy valid applications received under the intermediaries offer.

COMMENT

Independent looks to he an attractive addition to the comsite insurance sector where it can be compared against larger rivals. The company is tightly managed and tends to ocus on specialised areas of the market. Its exclusive focus on the UK might be viewed as a drawback by some investors. especially amid indications that rate competition is eturning to the motor market. However, Independent has placed emphasis on underwriting discipline in the past, which ensured it remained in the black between 1990 and 1992. Earnings per share in 1992 amounted to 10.9p putting the shares on an historic p/e of 20.6. A forecast net dividend of 8.25p pnts the shares on a prospective gross yield of 4.6 per cent. Overall, the company looks good valoe against the composites. The shares can be expected to trade to a premiam when dealings begin on

10 (12 m) 10 (15 m)

#### Allders shares up on first dealings

By Maggie Urry

Dealings began in sbares of Allders, the department store and duty free retailer, with the shares ending the day at 184p, up from the 170p issue price. This was regarded as a good premium given the sbarp fall in the stock market since the issue, which involved a placing and public offer, was priced. The public offer ele-

ment had been 21/4 times subscribed. Voluma was shown at 21.8m

#### Trading in the stock was placed with institutional and

The intermediaries offer for

**FUIT** offer oversubscribed Applications have been scaled down with intermedi-

"This is a reasonable price for someone who new market crowded with computer suppliers wants to come into the printing sector. If you litho will depend more than ever on its established trading relationships.

described as "turbulent" with about 6.8m transactions and

the price ranging between a low of 85p and a high of 210p towards the close.

The group came to the mar-ket through a full placing and

Over 13.6m sbares

'Turbulent' trading at Charles Sidney

aries offer, 22.5m ordinary shares have been placed firm.

In addition to the intermedi-

public offer.

subscription of up to 7.5m ordinary shares in Finsbury Underwriting Investment Trust at 100p per share was subscribed just over three times with soma 22.62m shares being applied for.

SHARES in Charles Sidney,

the Yorkshire-based Mercedes-

Benz commercial vehicle and

passenger car dealer spun off by Albert Fisber, ended the first day of trading at their

offer price of 210p yesterday.

aries being allocated about 33.16 per cent of the number applied for.

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TIVIC	DENDS	ANNO	UNCED	)	
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Tota last year
ACT GroupInt	1.75†	Jan 7	1.75	-	5
Amorstern Intl	4.4	Jan 4	4	-	13.5
Bibby (J)fin	лH	-	6.6	2	9.75
Chamberlin & Hillint	2	-	1.75	-	5.25
Electrocomponentsint	2.5	Jan 4	2	_	7.9
European Colourint	0.35	Jan 10	0.275	_	0.8
Hambros	4.5	Dec 13	4.1		14
Henderson Adminint	12.5	Jan 11	12.5		
Inchamint	1.751	Jan 14	1.5		42
National Powerint	3.75	Jan 16	3.3		<b>6</b> ‡
Personal Assetsint	0.95		0.85	•	7.3
Scottish Value Tstfin	0.95	Jan 10			1.8
Unigateint	6	Jan 6	1	1.8	1.8
	~	OGE 1 O	5.7	-	16.1

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Rights issue of 7,543,860 new ordinary shares of 25p each Wyevale Garden Centres pic is tha holding company of a group engaged in the operation

Wyevale Garden Centres plc

Introduction to the Official List

30,749,707 existing ordinary stares of 25p each

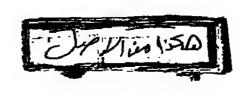
3,597,734 existing 6.5 per cent convertible cumulative redeemable preference shares of £1 each

Copies of the listing particulars may be obtained during normal business hours from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lana, London EC2N 1HP up to and including 15th November, 1993 for collection only, and until 25th November, 1993 (Saturdays and public holidays excepted) from Wyevale Garden Centres pic, Kings Acre

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11th November, 1993



oreig

#### **COMPANY NEWS: UK**

TR buy

By Philip Coggan, Personal Finance Editor

interim pre-tax profits from £6.55m to £9.17m in the six months to September 30.

The company said client withdrewals lost it shout £500m of pension fund money.

This was "partly due to the expected withdrawals follow-

ing the Touche Remnant acquisition, partly due to a

mave to indexation by some

clients but also to the residual

effects of our previous period

However, funds under man-

brought in £2.2bn of funds.

Strong stock markets end

inflows in the non-pension fund side also helped. At end-September the com-

pany had £4.4bn of pension

funds under management,

£3.2bn of investment trusts

and about £2bn of unit trusts.

After the end of the balf, the

group launched Its first invest-

ment trust under the com-

bined Henderson TR banner and raised £100m for a Japa-

nese smaller companies fund.

half were £30.3m, against

£20.5m, which did not include

a full contribution from TR.

Operating expenses were

£22.2m (£16.7m) but the com-

pany said the best comparison

was with last year's second

Total revenues for the first

of underperformance"

### Unigate beats City | Henderson hopes with £50.3m

UNIGATE raised pre-tax profits by 19.8 per cent in the half year to September 30, to 250.3m, on sales up 2.5 per cent to £1hn. This heat market expectations and the shares rose 6p to 371p.

Operating profits were ahead 27.7 per cent to 249.8m, including £3.8m from acquisitions and £2.4m (£2.2m) from busi-The dairies division raised

profits by 50 per cent to £18.6m, with margins rising from 6.9 per cent to 8.2 per cent, though most of the rise came from integration benefits from acquisitions. Fresh foods profits rose 19.2 per cent to £8.7m, despite retailers price cuts. Margins were 3.3 per cent (3.2 per cent).

giren

~ . ,,

Profits from farm foods, such as bacon and turkeys, ross from £100,000 to £1.2m helped hy lower pig prices and the sale of half the pig herd. Higher feed costs had cut margins there. Margins were still

Distribution profits rose 47.3 per cent to £10.9m, largely because of the Glass Glover acquisition, although margins fell from 8.5 to 7.5 per cent. The US restaurants suffered a fall in profits from £8.4m to £7.7m, despite a rise in sales, with the fall in dollar terms near 20 per cent. Other activities made £300,000 (£1.2m) including e loss from the US exhibitions

Associates, the Dutch Nutricia baby food husiness, con-tributed £8.3m (£7.7m) with the rise due to translating profits at a lower sterling rate. Exceptional costs totalled

£700,000. However, this included a £5.9m gain from the release of a provision made in 1991 which was surplus to needs. The fall in sterling added £1.5m to profits. Earnings per share, excluding exceptionals, rose 23 per

agement at September 30 were £12.2bn, compared with £7.3bn The interim dividend is raised from 5.7p to 6p. at the interim stage last year. An important fector in the increase was the acquisition of Tonche Remnent, which

### Scottish Value assets rise

By Philip Coggan, Personal Finance Editor

SCOTTISH Value Trust, an investment trust which takes substantial stakes in other trusts in order to provoke restructurings, announced e 62 per cent increase in net asset value per share over the year to September 30.

The trust has more than dou-bled its share price and net asset value since launch in July 1991. Over the past year there were restructurings at four of its largest 10 holdings, in particular at Drayton Consolidated and the Independent

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Mr Boh Borthwick, chairman, said "despite e narrowing of discounts, the company's investment portfolio as a whole still represents an above average discount to the underlying asset values. I am confident there remains within the sector considerable opportunity for Scottish Value Trust." Net assets per share at end-

September were 97.34p (60.08p). The final dividend is 0.95p for an unchanged total of 1.8p. Earnings were 1.76p (1.78p).

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became Second Consolidated and Ivory & Sime Enterprise Capital respectively.

half figure of £21.3m, which it cited as evidence that it was controlling costs. Net interest receivable slumped to £944,000 (£2.46m) because of lower interest rates FOR THE LATEST and the cost of the TR acquisition. After tax of £3.1m (£2.82m), earnings per share **FINANCIAL REPORTS** were 28.23p (21.38p). The interim dividend is being **CALL THESE NUMBERS** 

#### IDV buys 21% of champagne producer

maintained at 12.5p.

By Guy de Jonquières,

INTERNATIONAL Distillers and Vintners, Grand Metropolitan's drinks subsidiary, is to take its first stake in champagne production hy acquiring 21 per ceut of Champagne Laurent-Perrier and 1 per cent of Veuve Laurent-Perrier, its parent company.

Laurent-Perrier, which is privately owned, is the fifth largest champagne brand with about 5 per cent of the world market and sales last year of FFr570m (£86m), 60 per cent of them ontside France. The value of the deal was not dis-

IDV, which already distributes Laurent-Perrier in the US, Japan, Italy and the Netherlands, will progressively take over distribution of the cham-pagne in some of the roughly 120 other countries in which it

However, Laurent-Perrier will continue to handle its own distribution in France, Britain and Switzerland. Mr Bernard de Novanco is president of Laurent-Perrier. His family owns 70 per cent of the parent company.

Redemption Notice

#### Nacional Financiera, S.N.C., Trust Division as Trustee of the Nafin Finance Trust

Guaranteed Floating Rate Notes Due 1997 CUSIP No. 629718-AA5\*

NOTICE IS HEREBY GIVEN, pursuant to the Indenture dated as of December 15, 1992 under which the above described Notes were issued that Nacional Financiera, S.N.C., Trust Division, as Trustee of the Nafin Finance Trust will redeem on December 15, 1993 13.085053% of the Outstanding Principal Amount of the Notes, amounting to \$20,800,000, on a pro-rate basis in accordance with their respective Outstanding Principal Amounts. The amount of principal to be paid with respect to each \$10,000 principal is \$1,040.00. On December 15, 1993, there will become due and payable on each Note the above amount, together with interest accrued to December 15, 1993. On and after such date interest will cease to accrue on the Notes (or portion thereof so redeemed).

together with interest accrued to December 19, 1999. On and after such date interest will cease to accrue on the Notes (or portion thereof so redeemed).

Payment of the redemption amount plus accrued interest on Bearer Notes will be made upon presentation and surrender of the appropriate compon to one of the Paying Agents listed below: Citibank (Luxembourg) S.A. 16 Avenue Marie-Therese Grand Duchy of Luxembourg

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As of January 1, 1993, withholding of 31% of gross proceeds of any interest payment made within the United States may be required by the Internal Revenue Code of 1986, as amended by the Energy Policy Act of 1992, unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

#### UK side behind 22% rise Admin 40% at Electrocomponents ahead after

By Paul Taylor

ELECTROCOMPONENTS, the electronic, electrical and mechanical components distribution group, yesterday posted a 22 per cent increase in A LOSS OF pension fund clients failed to stop Henderinterim pre-tax profits boosted son Administration Group, the fund management group, from enjoying e 40 per cent jump in by a steady improvement in the UK operations.

Pre-tax profits in the six months to September 30 increased from £25.4m to £31.1m. Earnings per share grew by 29 per cent to 9.8p (7.6p) and the interim dividend is being lifted to 2.5p (2p.) Turnover from continuing

operations increased from £161.4m to £183.1m, helped in particular by growing sales from the group's new operations in continental Europe. Operating profits from continuing operations increased to £29.7m, sgainst £26.1m last time when the group also recorded a £2.6m operating loss on its now discontinued Misco computer supply businesses.

Sales in the group's core UK-based RS Components business increased by 11 per cent, while productivity gains and lower bad debt costs resulted in modestly improved net margins. RS International sales increased by 40 per cent, underlining the progress made by the group's European continental operations, particularly Radios-



Robert Lawson (left), chief executive, with Sir Kelth Bright, chairman (centre), and Robert Tomkinson, finance director

which continued to show strong growth despite the

Mr Rohert Lawson, group chief executive, said the perfor-mance of the new operations in "vindicated" the group's overseas expension Meanwhile, Electrocompo-

nents ended the period with £51.9m (£36.8m at year-end) in net cash Over the next three years it plans to invest £35m to support

• COMMENT The underlying growth in the 20,7. Buy.

expectations and the push into overseas markets is gaining momentum even though the new European operations an still losing money. Group strat-egy is to deliver high margin, low volume products to engineers anywhere in the world and the next step may well be a joint venture in India. Cash balances continue to strengthen and will be used to support organic growth in the UK and overseas. This year pre-tax profits should reach £71m generating 22p of earnings and putting the shares on

a deserved forward multiple of

#### BICC in Russian telecoms deal

BICC, the international cables and construction group, has entered into a joint agreement to set up a communication cable business in Voronezh, central Russia.

The new business is a joint venture between KWO Kabel, subsidiary, Svyazstroy, the Russian state-owned telephone cable installation company, and the Cahle Research Institute. Moscow.

KWO will take a 25 per cent interest in the enterprise and will provide project manage-BICC's German cable-making ment, technical know-how,

manufacturing equipment and a training programme for employees. Its input in the form of machinery and expertise is valued at DM10m (£4m).

tion in 1994 and will employ



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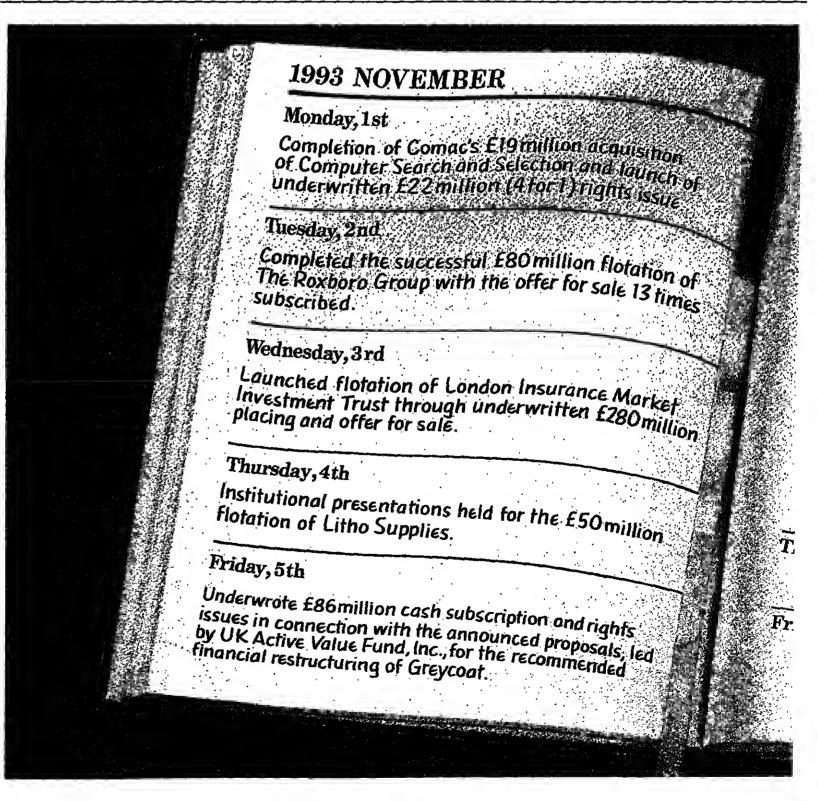
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OBER-suited men and women have been caught peering under the edges of their lunch-laden china plates in recent weeks. As analysts and fund managers, they have been researching the demerger of Royal Doulton from its media parent Pearson. which also owns the Financial

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It is expected that their remaining questions will be answered today when the listing particulars are published. These are widely expected to offer investors one Royal Doulton share for every 10 of Pearson's, and are likely to include a Royal Doulton dividend payment to sweeten the deal in addition to Pearson's forecast of a maintained 12p for the

The City is awaiting the other details, having so far lacked information in a poorly researched sector. Brokers are expecting heavy trading in the stock immediately after demer-

Shareholders who hought Pearson for its media potential may not want to hold stock in a much smaller company operating in what is perceived to be a slow moving, luxury goods market. The question is, just how anxious will they be to

Such decisions are likely to hinge in part on whether Pearson and Royal Doulton are able to answer questions over the decision to demerge. "If it was such a good company, it would have been floated, or the management would have got together to do a management buy-out," said one analyst.

Pearson would argue that it is giving the beoefits of Royal Doulton to shareholders who will have the choice of staying with a recovery stock or selling it to realise the value.

Analysts are also questioning the timing of the demerger.

Colour doubled

Enropean Colonr, the

Stockport based chemical col-

our mannfactnrer, reported

pre-tax profits almost doubled

at £521,000 for the six months

to September 30, against

Sales advanced il per cent

from £6.98m to £7.75m with a

23 per cent rise in Europe.

Earnings per share were 1.16p

(0.59p) and the Interim divi-

dend is being raised to 0.35p

Mr Henry Finchett, chair-

man said the improving profit

trend, which had started to

emerge at the interim stage

Sales growth was the result

of its product development

programme. Profit growth had heen helped by further

Improvements in production

On prospects, Mr Finchett

said demand had declined, par-

ticularly in Europe over the

last six months, but the com-

pany had been able to make up

for that by increasing the

number of European custom-

last year, had continued.

efficiencles.

European

to £521,000

£265,000.

**Royal Douiton** Operating profit Pre-tax profit/loss 225 -175 150 125 100 75

1990 91 92 93

1990 91 - 92 93

last three years, as both reces-sion and a shift in consumer

tastes towards more informal

other six global players -Wedgwood of the UK, Villeroy

& Boch, Rosenthal and Hut-

schenreuther of Germany, Nor-

itake of Japan, and Lenox of

the US, fighting for ever

shrinking shares. However, Mr Stuart Lyons,

Royal Doulton's chief axecu-

tive, is optimistic about the

group's quoted future. "We will

have the flexibility to deter-

mine our own strategy," he

by investment from Pearson.

Over the last three years, Pearson has invested significantly

more than tha £15.3m deprecia-

tion charges. The result has

been great strides in automat-

ing what has always been a

ton to decrease its dependence

on the more expensive, traditional china sector and expand

into new markets such as sell-

ing less expensive bone china

trate on its husiness. "It allows

us to focus on the bottom line

and not be looking over our

South African Lewis family,

which owns a 50 per cent share

in one of the country's leading

fashion retailers. Foschini, and

36.25 per cent of Etam. Oceana

falled in its hostile £121m hid

to take over Etam two years

ago and in efforts to get board

Reorganised Ingham at £1.5m

Mr Miles said Etam had

and profits.

and on hundreds

sources to give you

the facts you need

FT PROFILE IS

casy lo use.

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of pieces of available

of other equally

Oceana is the vehicle for the

shoulders," Mr Miles said.

This has allowed Royal Doul-

labour intensive industry

ntil now. Royal Doul-

ton's strategy has

been heavily hacked

This decline has left the

dinnerware take their toll.

Pearson says the demerger is part of its decision to focus on dia, and any postponement would mean at least a fourmonth delay.

Although less than two months away from Doulton's year-end, the particulars will not include a profits forecast, partly due to the importance and uncertainty of the Christmas trading period. The offer document, however, is likely to include details of a notional full-year dividend pay-out, which will make the shares attractive on a yield basis.

That attraction will be crucial in light of the group's three-year trading record. Since 1990, operating profits have halved to £10.9m last year, on virtually steady turnover of £201m, while pre-tax profits have collapsed from £17.6m to £3.9m. For the six months to June 30, Doulton incurred pre-tax losses of £3.9m. after £3.2m of exceptional charges, against a £1.1m loss last year.

Royal Doulton's rivals have suffered similar fates. The global fine china market - of which Royal Doulton claims 10 per cent - is estimated to have declined by 20 per cent in the

ETAM, the fashion retailer,

yesterday declared a truce with

its erstwhile foe and largest

shareholder, Oceana Invest-

ment, by appointing to its

board two directors from the

Mr Keith Miles, finance

director, said the appointment

of Mr Stanley Lewis and his

son Michael as non-executive

directors would give Etam the

stability it needed to concen-

INGHAM, the worsted spinner and car parts

distributor, returned profits of £1.47m pre-tax

The car parts division, Transtar International

The comparative figure given of £135,000

Group turnover totalled £13.55m (£2.98m), of

which car parts contributed £10.26m - the divi-

sion mainly retails parts for British classic

Moss Europe performed well, hut Transtar

stemmed from the spinning and property trad-

and Moss Europe, acquired in September 1992

and May 1993 respectively, contributed £1.23m.

for the half year ended September 30.

South African held group.

By Peggy Hollinger

applied to the traditional figurine business. The time to produce a figurine has fallen from 18 days to 12 Royal Doulton has also carved itself a niche in supplying china to the airline and hotel market.

But perhaps the best guide to Royal Doulton's future strategy is the development of its crystal business. Since the 1980s Royal Doulton has formed partnerships with crystal manufacturers abroad who make products according to its specifications. Now more than half of Royal Doulton's crystal is supplied from outside the

to chain stores such as Marks

Technology is even being

and Spencer and Safeway.

The implications are ohvious for the china business, although it will have the tricky task of balancing some exter nal sourcing with upholding its

Observers also speculate that Royal Doulton will find growth by exploiting its hrand in the wider home furnishings mar

Other china manufacturers such as Wedgwood have begun to introduce products such as tablecloths and napkins co-ordinated with their china patterns. There is a danger, however, that such moves could take the shine off what is considered a premium hrand. "Royal Doulton will have to be careful they do not hite the hand that feeds them," one analyst says.

Even though many of the questions over Royal Doulton's financial structure should be answered today, analysts are expecting heavy initial selling as media investors reshape portfolios.

Thus, says one, logic dictates that to sell immediately would be ill-advised: "It may be worth taking the final dividend and then having another look."

dropped its resistance to board appointments after it became

clear that Oceana backed the

current strategy. "It was a real-

isation that they are not

short-term players and that

they have decided to support

the management." Mr Miles

The new directors will form

part of the 14-strong Etam

board. Oceana intends to con-

tinue adding 1 per cent a year

to its Etam holding, as allowed

continued to suffer from the recession and the

sale of its direct business in the US to Milard

which had the effect of reducting its turnover

Profits of George Ingham, the worsted spin-ning activity, rose to £115,000 (£85,000) and the

company still has a "strong order book". Exceptional credits of £256,000 (nil) mainly

reflected the disposal of Transtar's direct US

Earnings emerged at 7.1p (3.1p). An interim

dividend of 1.75p (1.5p) is being paid - the directors have already announced their intention to

recommend a total of not less than 4.75p.

Etam calls truce with Oceana

dent about the second half, traditionally the company's hetter six months, as activity in the banking sector intensi-

5.24p (5.01p). The interim dividend remains unchanged at

#### TR Property £10m debenture

TR Property Investment Trust is to issue, via its subsidiary Trust Union Finance (1991), £10m of debenture stock 2008 y of a placing, payable in full on November 17

The issue has been fully underwritten by NatWest Capital Markets, acting as agent for National Westminster Bank, which is also acting as sole placing agent.

The stock will be guaranteed hy TR Property Investment Trust and the directors said it was intended that the proceeds of the placing would be used. to repay existing unsecured debt of the group and its subsidiaries.

#### Acquisition behind 21% rise at ACT to £11.5m By Philip Coggan, Personal Finance Editor

By Alan Cane

the Birminghambased computer services company, saw steady progress in the half year to September 30 with the figures boosted substantially by the acquisition of the BIS Group in June.

Pre-tax profits rose 21 cent from £9.54m to £11.5m. Turnover advanced 49 per cent to £107.6m (£72.1m), of which £24.4m related to the acquisition. Operating profits were £11.5m (£8.76m) helped by a 2.59m contribution from BIS. Turnover from continuing operations rose 15 per cent

while pre-tex profits on continuing operations were flat. The acquisition of BIS cost 293.5m. There was a net interest charge this time of £9,000, compared with interest received of £788,000. However, the company retains positive net cash balances.

Mr Roger Foster, chairman, said he was satisfied with progress in a difficult six months.Profits from continn-ing operations had been held back by soma reduction at ACT Kindle, part of the banking software activities. Kindle's orders during the half year had grown 18 per cent, hnt the order backlog was up 69 per cent costing the com-

pany sales and profits.

The banking side of BIS continned to show growth year on year of about 20 per cent, chiefly through the continued success of Midas, its branch banking package, and DR1, an electronic dealing system.

The information systems side of BIS had underperformed, Mr Foster said, as orders had slackened during the summer months. A new ACT Business Systems company had been created from Logsys, ACT's systems company and the IS division of

Mr Foster said he was confi-

Earnings per share rose to

#### Three investment trust are ready for market coinciding with the

THREE new investment trusts are coming to the market as the industry continues to take advantage of the low discount on which its shares trade, and private investor enthusiasm

for equities. Govett High Income Investment Trust is attempting to raise £50m via a placing and offer-for-subscription. The new trust will invest in a combination of UK shares, international high yield bonds and emerging markets to offer investors an initial gross yield of 7 per cent.

The trust is issuing up to 50m ordinary shares at 100p each, with warrants attached on a 1-for-5 basis. Some 34m shares are being placed, with the balance of 16m on offer to

The aim of the trust will be to provide a high and steadily rising income, with the potential for long-term capital growth. More than 50 per cent of the portfolio will be kept in UK equities to ensure the trust qualifies for Personal Equity Plan status; income and capital gains from a Pep are tax-free.

Dividends will be paid quar-

The minimum investment is £1,000 and dealings in the shares are expected to start on

December 3. Kleinwort Second Endowment Policy Trust will invest in second-hand with-profits endowment policies. It is usually more profitable for policy-holders to sell their unwanted policies than to surrender them to the insurance company, the attraction for those who buy the policies is the reiatively stable and tax-efficient returns on offer.
Kleinwort is placing 15m

hares and is offering a further 5m shares to the public. The issue price is 100p, with 50p payable on application and a further 50p payable in six months' time. The minimum subscription is for 1,000

Last year, Kleinwort Endowment Policy Trust was launched with a similar investment atrategy. Its shares are trading at 114.5p, compared with a launch price of The new trust will primarily

is wound up in eigh after the zeros hav repaid. Shares will be sele the fund on both pesi backing companies whenit the community) at tive (eg avoiding con which deal in tobacco ( criteria.

wind-up of the trust.

The Priends Pravid

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mg to raise over 23

trust will have a spir

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rate of about 8 per cen

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The shares will qua

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The shares will he pay cation and a further the ordinaries) and 43p be having policies which mahire between 2005 and 2006, zeros) in February 198 minimum investment is

**NEWS DIGEST** nary shares and 2 for-

#### Chamberlin turnover little changed at £7,62m (£7,57m). Earnings of 0.05p compared with losses of & Hill up 2.8p. Christie has no net borrow ings and the directors said to £787,000

Personal Assets

shows improvement

Personal Assets Trust raised

net asset value to £86.23 per share at the end of October,

against £75.18 six months eer-

Net revenue for the six

months increased from £90,000

to £164,000 and earnings per

raised to 0.95p (0.85p).

Glynwed makes

£1.5m German buy

Glynwed International, via its

plastics division's Italian sub-

sidiary, Formatora Inlexione

Rappenau, Germany for DM3.78m cash or £1.5m ster-

renamed Sed Ventilsysteme. It

employs 20 people, has an

annual turnover of DM4.6m

(£1.85m) and specialises in the

development and manufacture

of diaphragm valves and their

Wyevale Garden Centres is

raising about £10.9m through a rights issue of 7.54m ordinary.

shares at 152p each. The issue

is on the basis of 2-for-9 ordi-

automatic control systems.

Wyevale Garden

calls for £10.9m

AN IMPROVEMENT in its light engineering companies enabled Chamberlin & Hill, maker of iron castings, electrical conduit fittings and switchgear, to raise pre-tax profits by per cent from £728,000 to £787,000 in the six months to September 30.

Mr John Eccles, chairman, predicted that given order books were somewhat stronger than at the same time last year, the company expected to make further progress in the

second half. The shares responded with a 7p rise to 185p yesterday. Trading conditions generally

showed a modest improvement during the period, Mr Eccles said. Although inflation at the consumer price level remained low, raw material and electricity prices continued to rise sharply and this was putting increased pressure on foundry margins.

First-half turnover advanced from £9.95m to £10.4m, while interest charges were lower at £70,000 (£96,000). Earnings per share increased from 6.82p to has been stepped up to 2p (1.75p).

#### Christie back in black with £11,000

Christie Group, the specialist business agency, returned profits of £11,000 pre-tax over the six months to September following three years of first half

The turnround, which compared with a previous deficit of £507,000, was struck from a preference. The shares fell up to

The company, which rently trades on the US applied for admission they were confident the group Official List and dealing would emerge from the recession with a "significantly enhanced market position." shares are expected to today.

It also announced the sition of Challis Gerden near York for £1.23m is Wyevale said it was als sidering other acqui proceeds would would an to respond quickly should

The issue is fully under ten by Morgan Grenfel brokers are Credit Lyc Laing

#### share came out at 1.66p (0.6p). The interim dividend has been Foster Wheeler a John Wood ventu

John Wood Group and I Wheeler have acquired the JP Kenny group its v wide engineering comp other than those in the fo Soviet Union. The de-Polimeri, has acquired a sub-stantial part of the assets of worth about 15m, includi capital injection by the Sed Armaturen GMBH, of Bad chowers -

A new company, JP K Regineering, has been for to take over all the spec pipeline and undersea neering services. It has an mated turnover of £14m for first nine months of this and about 330 full-time em

ees worldwide. John Wood, based in A deen, is the UK's largest is enous oil services compa and Foster Wheeler is the subsidiary of Poster Whe Corporation, the US enging ing company. The two con nies, who already have b ventures together, said that Kenny's expertise wo expand their services to the

and gas industries.

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## Maize prices reach limit as crop estimate slashed

MAIZE PRICES in Chicago's futures pit soared to the limit of 12 cents a bushel yesterday. and trade was halted after the market digested figures from the US Department of Agriculture that slashed the estimated size of this year's maize harvest to 6.5hn.

Traders expect prices to go higher today, when limits are raised to 18 cents per bushel. The USDA's new harvest 30 per cent below last year's record harvest, and nearly 50bn bushels lower than the government's estimate only a

With production estimates for other coarse grains such as oats, sorghum and barley also near historic lows, livestock

By Deborah Hargreaves

A NEW nationwide marketing

scheme for goats milk will be

launched today to ensure high-

quality supply to a £16m UK

market that is growing at the

The new private company, which includes 12 farmers on its board, is being set up by Mr Jim Barnard, who runs Bar-

nard and Gooding Dalries in

The Ministry of Agriculture's

Food from Britain initiative

has provided a £90,000 grant

"Very few people have any idea of what goats milk is or

what it tastes like, and gener-

ally it has a pretty bad image."

By Tony Walker in Beijing

ister Paul Keating.

CHINA has agreed to reduce

tariffs on wool tops to 15 per

cent, following strong repre-

sentation by Australian offi-

cials, including the Prime Min-

tariff reduction emerged from

a meeting in Beijing this week

between Australian and Chinese trade officials. They were

reviewing ways in which the

two countries could harmonise

Officials were unable to give

their trading relationship.

Agreement on the 5 per cent

for the scheme.

rate of 15-20 per cent a year.

they will find sufficient supplies to meet their needs until next year's harvest

Last year, the US consume 6.4bn bushels of maize and exported another 1.67bm.

A 2bn-bushel carryover from last year's harvest had been widely expected to cushion the effects of this year's short harvest. However, Tuesday's revised production estimates have left analysts estimating how high grain prices must go

The USDA trimmed its estimate of US maize use and exports, but the supply situation is still tight. We're estimating only 881m bushels in ending stocks this

president of AgResources, a

Chicago consulting firm.

UK launches campaign to

market quality goats milk

more expensive to produce

The new venture will moni-

tor production standards to

ensure the milk is of a uniform

quality, as well as act as a cen-

tral marketing agency - goat's milk is now carried by all the

main supermarket chains. The

company will also run a pro-

cessing arm for goats milk

Mr Barnard said there was

no plan to compete with the

main cow's milk market, but

demand for goat's milk was

growing from consumers who

suffered allergic reactions to

Interest in speciality cheeses

is also on the upturn, which

has led to increasing demand

an estimate of the value to the

Australian wool industry of the tariff reduction, but they

said the decision marked a step

towards a further lowering of

import duties on textiles fibres,

Australian wool exports to

China in 1991-92, predominantly greasy wool, were worth A\$429m (\$276.7m). Sales

have slumped in the past 6

months partly because of a

credit squeeze imposed by the

Chinese government, and also

because of a sharp depreciation

of the local currency.

yarns and fabrics.

products such as che

other dairy products.

China reduces tariffs on wool

than cow's milk and can suffer

from quality problems.

maize. US sovabean stocks were already thin before this year's harvest. year," said Mr Dick Lowey.

prices at the Chicago Mercan-tile Exchange plunged as trad-ers calculated that farmers would liquidate herds as feed costs escalate. The USDA estimated that US soyabean production at 1.83bn bushels, also a sharp drop from the previous year. Unlike

year we've seen."
Mr Joel Karlin, analyst with

Kemper Securities, agreed. "There is no room for error,"

he said, "There just aren't a lot

Soyabean prices also rallied

to their allowable limits yester-

day, and livestock futures

of reserves.

Analysts said a worldwide shortage of feed grains will have political repercussions

from the gourmet sector of the

Goat's milk accounts for

around 1.75 psr cent of the

dairy products market in

France, while in the UK it is

"It is a very fragmented and dispirited industry with three-

quarters of all goats kept in

herds of less than eight - that would be the equivalent of two

He believes UK demand has

could increase to a level simi-

lar to consumption on the con-

tinent. But he cautions farmers

against rushing into goat's

milk production, saying that

the market expansion must be

handled in an orderly manner if the quality of the product is

China's decision to begin

modest steps towards lowering tariffs on wool followed discus-

sions in Beijing in June

between Mr Keating and Chi-

na's powerful vice-premier in

charge of the economy, Mr Zhu

Rongil. Mr Keating said Mr

Zhu had assured him that

China was prepared to take a

serious look at removing tariffs

and quotas on wool with a

view to assisting the wool

Chinese tariffs on Australian

No.7 RAW STOCK - LCE

wool are among the highest in

industry in both countries.

less than 0.1 per cent.

cows," Mr Barnard said.

Although the USDA has already announced a 5 per cent acreage set-aside program for farmers next spring, analysis say the agency will be forced to repeal that directive, and encourage massive plantings to rebuild stocks.

Replacing the shortfall in the coarse grains sector will be more difficult, as maize, while the largest crop in the US. is only grown in small amounts in other regions of the world. Analysts said they expected Chicago maize futures prices for December and March delivery to rise above \$3.00 per hushel, which should encourage farmers to sell stocks out of subsidised storage. Soyabean futures prices, currently well below their July highs. would rally above \$7 per

#### Copper mine finds buyer

CYPRUS MINERALS, the US The offer was well in excess

of the base price, set by

most attractive copper depos-its both for its location - 30km from the southern city of Arequipe - and its rich reserves. enough for nearly 50 years. The mine has been stateowned since its inauguration in 1977. The bulk of Cerro

traction-electro-winning. duced 33,000 tonnes a year copper cathodes but when the oxids ore ran out there was no

mining group, yesterday became the owner of the Peruvian copper mine Cerro Verde. In the only bid at the public auction held in Lima, Cyprus offered \$37m cash and an investment commitment total-ling \$480m over five years.

Minero Pern's privatisation committee at \$30m cash with a \$160m investment commitment. Cyprus will develop the mine in association with Buena Ventura, one Pern's leading mining groups. Cerro Verde is one of Peru's

Verde's copper is produced by pad leaching and solvent-ex-Until 1984, the plant pro-

money for a concentrator plant to treat the sulphide ore. Output last year was only 18,000 tonnes of cathodes plus 9.000 tormes of concentrate. Minero Peru will now stage auctions - for its copper refinery at Ilo and the zinc refinery of Cajamarquilla.

European companies to share cost of eliminating overcapacity

### Lead smelter closure planned

By Kenneth Gooding, Mining Correspondent

EUROPEAN LEAD producers are preparing a scheme to eliminate overcapacity in the region by the permanent clo-sure of a smelter. The cost would be shared between all the producers.

The scheme is nearly identical to the so-called shut down" agreement European zinc producers are pressing ahead with and hope to complete within a few months Mr Hsinz Schimmelhusch chairman of Metallgesellschaft

of Germany, said the lead shutdown scheme was being considered because there was a crisis in the European lead zinc industry, caused mainly by a flood of exports to Europe from the former eastern bloc countries but also by a fundamental structural imbalance between supply and demand. "There is over-production of zinc and, to some extent, of lead," he said. He was "cautiously optimis-tic" that producers would soon

reach agreement on a zinc smelter shut-down "and I hope there will be one for lead The zinc shut-down arrange-

ment must receive approval

from the European Commis-

EUROPEAN PRIMARY LEAD SMILTERS (000 tormes) BBU Gallitz Union Miniera Metaleurop Hoboke Berzeksis Duieberg rap Norddeutsche Nordenhar Porto Vesme Porto Vesme Nuova Samirri Brittenia Zino Avonmouth 741

sion. Mr Schimmelbusch said: in the region for many, many "We have a good case because there is a structural crisis in the industry. But we cannot. take approval for granted." Mr Schimmelbusch also insisted that the European industry could not ignore the equally pressing import prob-lem. "The flood of metal from the east must be addressed."

He said MG was working on soms ideas to alleviate the problem. He would not be drawn into giving details but admitted his group was talking to government representatives and individual smelters in the

former eastern bloc. "We know the main loca-tions because MG has worked

We hope that in the medium term we can come to some sensible arrangements. They ithe former eastern bloc producers] must understand it is wasteful to pour metals at below cost into a region that already is over supplied."

Mr Schimmelbusch acknowledged that the import probns were easing because ore grades were falling at mines in the former eastern bloc and. consequently, smelters there were finding it difficult to maintain output at previous

Mine output has also been falling steeply in western coun-tries, leaving lead smelters in

particular short of essential raw material. For this reason analysis suggest that the out-look for lead is better than that for any other metal traded on the London Metal Exchange. Mine output in the west is forecast by the International Lead & Zinc Study Group to fall this year by 14 per cent to 1.98m tonnes while metal production is predicted to fall by 3 per cent to 4.31m tonnes. A

also expected. According the ILZSG, lead imports from the former eastera bloc to the west last year jumped by nearly 110,000 tonnes to 173,000 tonnes.

small decline in consumption.

from 4.46m tonnes to 4.42m, is

The Brook Hunt consultancy is among those making lead the "star" metal for 1994 and it forecasts an average price of 23 cents a lb (\$507 a tonne) for next year. Most forecasts are clustering around that price: Ord Minnett, Lehman Brothers and Rudolf Wolff have predicted that 23 cents would be the 1994 average. The Economist Intelligence Unit predicts lead will start 1994 at 23 cents and reach 26 cents by December to give an annual average of 24.3 cents. Last night three-month lead

closed in London at 19 cents.

trates in the first nine months

of 1993, while the US expected

a 9 per cent drop in consumption this year after a 25 per

show a 17 per cent drop in

world consumption last year to

30,499 tonnes, and a 19 per cent

Unctad's latest estimates

### UN warns of threat to tungsten industry

By Frances Williams

LOW PRICES threaten the survival of the tungsten industry in many countries and the security of tungsten supply, Mr Carlos Fortin, deputy secretary-general of the United Nations Conference on Trade and Development, said yester-

Mine operations have fallen to just six small mines in industrialised countries and 25 in developing countries, compared with 60 and 74 respectively in 1980, Mr Fortin said. Even those were operating at below 60 per cent of capac-

trates, which fetched as much

as \$170 a tonne in the late 1970s, were now trading as low as \$20 a tonne, he

Stid. Japan.
Tungsten producing and consuming countries have been is largely the result of weak meeting this week in Geneva against the background of "unprecedented distress" in the industry, which has seen tungsten demand, prices and mine production plunge to their lowest levels since the mid-1960s

The 15 countries attending the three-day annual market review, which ended yesterday, account for about 90 per cent of world trade in tungsten products: They include China, the biggest producer, which represents over 60 per cent of

ranks second in production; and the three biggest import-ers, the US. Germany and

activity in the main tungsten consuming industries, especially toolmaking, car production and defence, according to However, structural changes in the tungsten industry, including substitution by new

products, "do not allow for optimism for the tungsten market even in the longer term, unless new end-use applications are found", the group

slide in production to 28,864 tonnes. Exports of ores and cent to 7,057 tonnes, reflecting higher consumption of imported intermediate prod-

cent fall in 1992.

ucts by the main consuming The share of tungsten ores and concentrates in world trade has more than halved over the past decade, from During the Geneva meeting, China reported falling exports

nearly 70 per cent in 1983 to

### Coffee producers to discuss retention scheme

**WORLD COMMODITIES PRICES** 

COFFEE PRODUCERS meet in New York today to discuss modifications to the producers' retention scheme that came into effect at the beginning of October. The producers plan to discuss changes to the amount of robusta coffee held back from the market and a way of checking stock levels.

Brazil made its first purchases as part of the retention scheme last week, but dealers were surprised at the small amounts bought.

The producers need to buy around 180,000 bags of coffee before next Monday as part of October's retention plans, but so far, Brazil, which has agreed to act as a purchasing agent on behalf of producers, has

hought only 11,750 bags. Buyers will be back in the market today after having lowered the quality of coffees they can purchase and raised prices. However, market traders were sceptical they could meet their

Talks today and tomorrow are unlikely to have much effect on coffee prices which have weakened this week, but

obligations

HEATING OIL 42,000 US galle, cente/US galle

prices could be boosted if Brazil is successful in buying most of its commitments Producers said they agreed to meet at regular intervals to

retention scheme. The retention scheme aims to keep 20 per cent of their exports off the market in order to encourage consumers to

monitor the operation of the

#### **MARKET REPORT**

White SUGAR futures had another active day after Tuesday's dramatic slump and steadled. By late afternoon in London the near December price had edged up \$0.80 to \$280 a tonne. However, dealers were still unconvinced about a sharp recovery being on the way. "People will want to wait a while and lick their wounds before coming back in. The market really needs the nower of the funds to pick it back up again and for that we need a strong technical signal," one dealer said. The London Metal Exchange formally put an end to the recent COPPER squeeze

#### **London Markets**

Crude oil (per barrel FOE)(De	<b>c</b>	+ 07 -
Dubai	314,12-4.21u	+0.09
Brent Ellend (dated)	\$15.21-5.23	+0.05
Brent Blend (Dec)	\$15.57-6.58	
W.7.J (1 pm est)	\$16.79-6.81u	+0.140
Oli products (KWE prompt delivery per to	rane CIF	+ or :
Premium Gasoline	\$173-175	-1.5
Gas OI	\$168-169	
Heavy Fuel Of	\$62-64	-2
Naphtha	\$148-151	
Petroloum Argus Estimates		
Other		+ 01 -
Gold (per tray oz)-	\$376,75	+1.16
Silver (per tray azjiji	457.50c	+5.00
Platinum (per troy oz)	\$375.75	-2.35
Palladium (per troy oz)	\$128,85	-0.25
Copper (US Producer)	80.0c	
Lead (US Producer)	33.88c	
The Music Lumpur merket)	12.011	
Tin (New York)	215.50c	-6.00
Zinc (US Prime Western)	Unq	
Cuttle (I-ve weight)	118,12	-1.94
Sheep (Ilve weight); 🏺	61.449	+2.10
Pigs (the weight)†	70.75p	+0.02
London daily sugar (raw)	\$257.7	-10.3
London daily sugar (white)	\$289.0	-6.5
Tate and Lyle export price	\$286.5	-85
Barley (English Seed)	Unq	
Maizo (US No. 3 yellow)	2120.5	
Wheat (US Dark Northern)	2175.0	
Rubber (Dec)*	61.00p	
Publicar (Jon)*	61.25p	
Rubber (KL RSS No 1 Jul)	207.0m	
Coconut oil (Philippines)5	\$455.0v	+12.5
Palm Oil (Moteyslanis)	\$355,0u	+7.5
Coors (Preprinse)9	\$307.5	+12.5
Soveboons (US)	£193.0w	+5.5
Cotton "A" Index	54,45c	+0.50
Woottops (64s Super)	363p	

a day limit on the backwardation (premium over the future price for metal for immediate delivery). Traders said the move had no impact in the market yesterday The LME wanted to make sure the long had liquidated his position," one said. "Over the last few days the position has been further wound down to a level that causes no concern now," he added. ALLIMINIUM was firmer, helped by a 9,000-tonne fall in September institute producer stocks, and three-month prices closed at \$1,062.50 a tonne, up \$10.75.

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ay	18.58			16.50
п	18.88	16.52		16.62
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THOWAR	39427 (45	6660		
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IC	182.50	162.25	162.60	00.191
n	161.00	161.00	161.25	
da da	160.50	160.50	160.50	1 <b>99.5</b> Q
ar.	159.75	159.75	160.00	156.75
*	158.75	158,50	159.00	158.00
zy 💮	156.50	158.00	159.00	158.00
n	159.25	167.75	159.00	
1	101.00	159.00	159.75	159.00
20	162.50		159.75	
mover	18989 (26	106 lots of	100 ton	nes
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nite	Close	Previous	High/Lo	
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	274.80	274.10	377.00	
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Mor	981	947	964 945
May	\$66	954	972 954
aul Bep	972 973	860	972 957 974 980
Dec	950	944	962 942
Mor	951	947	954 947
May Jul	957 960	948	966 955 985 953
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chail  S pa								Total	My turnow	12,26404
Maj.	4630-5		4725-5		4680		50-5			
months	4890-5		4785-4	<del></del>	4780/4640	41	725-30	4640-50		82 (ots
n (Si per to	4595-80	_	4597-6				we 55	Total	dely kumov	T 3,366 lot
mortine	4650-5	2	4049-		4710/4850		115-20 105-70	4545-80	14.1	73 lots
nc, Specie		rade f		_		_				12,119 job
calc)	933.5-4		928.6			- 90	29-6.5			
months.	<b>951-2</b>		947-7.		954/946		10.5-T.D	263-4	81,2	206 lots
E Cloubs			-		_			-		
OT: 1.475		_		TE 1.46	72	0 1	nonther 1,4	623		nthe: 1.4500
E AN OF	idei 2/3	spot r	<b># 1.4</b>	980						
HENCE H	a Line	MARK	-	_				C-40		
fors supp				đ		Me	WY	ork		
Ad (troy or			_		lent		-			
		2377.0	_			60F	100 troy (	SZ.; \$/DOY O		
ote pering		2375.2 2-375.2					Cione	Previous	HIGHLOW	
arriers da	\$75.5	9	2	56.182		Nov	376.8	876.0	0	0
ternoon fo by's high				55.034		Dec	877.4 978.4	378.8 377.6	379.0	373,0
As jen		-378.0 -378.0				Jen Feb	378.4	378.6	350.9	. 375.2
ec Lds W		_		**** (V)	LING	Apr	381.2 383.0	380.4 382.2	364.5	377.D
	2				_	Aug	384.8	354.0	383.0	. 353.0
गाउनकी । गाउनकी स	2		6 mont		2.70 2.72	Oct	383.7	292.9	0	0
montas	2		,			Dec	385.7	387.B	380.0	388.1
ver th	D/Std.	οz		S ots e	outy	PLAT		by or \$/bo		
xx	308.3	_		53.25	1		Close	Previous	High/Low	·
mer street	312.50	•	4	56.75		Nov	368.0	563.0	0	0
more in	316.21			60.20		Jen Apr	379.7 381.1	379.5 380.9	361.0 362.0	377.D 378.B
manthe	324.1	•		68.75		-	361.0	381,7	361.0	350.0
	-					Oct	588.4	383.2	0 .	0
DED COM		-				SELVE		DY DE CONTR	proy or	
	8 p	fice		c editor	elent .	_	Cione	Previous	High/Low	
<b>Ugarrand</b>	377.	00-350	1,00	269.00	262.00	Nov	456.8	451.8	0	0
			275 -	59.00-63	00.00		457.D 459.D	452.5	460.0	449.5
spie los!	388	30-390	B 4			-		481.0	D	
spie los!	385. gr: 87.0	30-390 0-90,0	0 4	-		Jan Mar	462.2	453.9 457,1	465.0	455.0
epie lost ny Soverei	d: 811		0 4			Jen Mer Mey	462.2	453.9 457,1 460.2	465.0 466.5	455.0 456.5
W Soverei	gr 87.0	0-90.0	0 4		_	Jul	462.2 465.3 466.3 471.5	453.9 457.1 460.2 463.2 466.5	465.0 465.5 470.0 472.5	455.0
spie lost ne Soverei NADIEU O	gr 87.0 P1 <b>10108</b> 99.7%)	0-90.0	o :	,	Vis.	Sep Dec	462.2 465.3 466.3 471.5 476.0	453.9 457.1 450.2 453.2 455.5 471.1	465.0 468.5 470.0 472.5 479.5	456.0 458.5 466.0 464.5 471.0
spie lost ne Soverei NADIEU O	gr 87.0 P1 <b>10108</b> 99.7%)	0-90.0	0 4		Puss Mgr	Jul	462.2 465.3 466.3 471.5	453.9 457.1 460.2 463.2 466.5	465.0 465.5 470.0 472.5	455.0 456.5 466.0 464.5 471.0
the last of the la	gr 87.0 P1 <b>10108</b> 99.7%)	0-90.0 Dec	ests	Dec 11	Mgr 16	Sep Dec Jan Mar	462.2 465.3 466.3 471.5 476.3 477.4 481.5	453.9 457.1 450.2 465.3 471.1 472.2 476.3	465.0 465.5 470.0 472.5 479.5 0	456.0 458.5 468.0 464.5 471.0 0
spie teat nv Soversi tabuto O uschrisen ( rike price 25	gr 87.0 P1 <b>10108</b> 99.7%)	0-90.0 Dec 44	edis Nuer 69 55	Dec 11 21	Mgr 16 25	Sep Dec Jan Mar	462.2 465.5 466.3 471.5 476.3 477.4 481.5 GPADE C	453.9 457.1 450.2 463.2 465.3 471.1 472.2 476.3	465.0 468.5 470.0 472.5 479.5 0	456.0 458.5 468.0 464.5 471.0 0
table test of Sovereint Sovereint Sovereint On Leading of the price of	gr 87.0 PTIONS PS.7%) S loans	0-90,0 Dec 44 29	20 € 14 E7 69 53	Dec 11 21 34	May 16 25 36	Sep Dec Jan Mar HIGH	462.2 465.5 466.3 471.5 476.3 477.4 481.5 GRADE C	453.9 457.1 450.2 456.3 471.1 472.2 478.3 OPPER 25.0	465.0 466.5 470.0 472.5 479.5 0 0	456.0 456.5 468.0 464.5 471.0 0
table test of Soverein Soverein Constitution (Constitution Constitution Cons	gr 87.0 PTIONS PS.7%) S loans	0-90,0 0ec 44 29 17	Mar Mar SS SS SS	Dec 11 21 34	Mgr 16 25 36	Sep Dec Jan Mar Heatt	462.2 465.3 460.3 471.5 476.3 477.4 481.5 GRADE O Close 74.55	483.9 487.1 490.2 483.2 466.5 471.1 472.2 478.3 OPP-BR 25,0 Previous 74.50	465.0 466.5 470.0 472.5 479.5 0 0 100 fbs; cent	456.0 456.5 466.0 464.5 471.0 0 0
ULDED O LEGISTRES O LEGISTRES O LEGISTRES O CONTROL O CO	gr 87.0 PTIONS PS.7%) S loans	0-90.0 Dec 44 29 17	69 53 39 845 92	Dec 11 21 34 F	16 25 36 245 42	Sep Dec Jan Mar Heght Nov	482.2 485.3 486.3 477.4 481.5 GRADE O Close 74.55 74.55 75.65	453.9 457.1 450.2 465.5 471.1 472.2 476.3 OPP-681.25,4 Previous 74.50 74.75 74.95	465.0 466.5 470.0 472.5 479.5 0 0 	456.0 456.5 468.0 464.5 471.0 0 0 10 74.50 74.50 74.66
tADIEU O Licebrium ( Tital price 25 50 775 ppper (Gra 25 50	gr 87.0 PTIONS PS.7%) S loans	0-90.0 Dec 44 29 17 C	69 53 39 52 77	Dec 11 21 34 F	16 25 36 245 42	Sep Dec Jan Mer Heath Nov Dec Jan Feb	462.2 465.3 466.3 477.4 481.5 GRADE C Close 74.55 74.85 75.25	453.9 457.1 460.2 465.3 471.1 472.2 476.3 0PP#81 25,0 Previous 74.50 74.55 74.55 75.20	465.0 468.5 470.0 472.5 479.5 0 0 0 100 fbs; con High-Low 75.20 75.90	456.0 456.5 466.5 464.5 471.0 0 0 0 74.50 74.50 76.80
table for the Soverel Carlotte	gr 87.0 PTIONS PS.7%) S loans	0-90.0 Dec 44 29 17	69 53 39 845 92	Dec 11 21 34 F	16 25 36 245 42	Sep Dec Jan Mar Heatt New Dec Jan Feb Mer	462.2 466.3 471.5 476.3 477.A 481.5 GRADE C Close 74.56 74.95 75.05 75.05 75.05 75.05	453.9 457.1 460.2 463.2 463.2 463.3 471.1 472.2 476.3 OPPER 25,0 Previous 74.50 74.95 74.95 75.40	465.0 460.5 470.0 472.5 479.5 0 0 130 fbs; con 15ghl.ow 75.20 0 75.90 78.95	455.0 456.5 456.5 468.0 464.5 471.0 0 0 0 74.50 74.50 76.80 75.50
prie leaf ne Soverei GADIEU O Lasilinium ( Rice price 25 60 775 DEPER (Gra 25 60 775	gr 87.0 PTIONS PS.7%) S loans	0-90.0 Dec 44 29 17 0 58 43 30	55 Sign Sign Sign Sign Sign Sign Sign Sign	Dec 11 21 34 5	Mgr 16 25 36 36 36 42 42 52	Sep Dec Jan Mer Heath Nov Dec Jan Feb	462.2 468.3 468.3 4778.0 4778.0 4778.0 4778.0 GRADE C Close 74.85 75.25 75.25 75.25 75.25 75.00	453.9 457.1 460.2 465.3 471.1 472.2 476.3 0PP#81 25,0 Previous 74.50 74.55 74.55 75.20	465.0 468.5 470.0 472.5 479.5 0 0 0 100 fbs; con High-Low 75.20 75.90	456.0 456.5 466.5 464.5 471.0 0 0 0 74.50 74.50 76.80
spie leaf w Soverei HADIBI O Losinium ( Titos price 25 60 775 HADIBI (Gra 25 60 775	gr 87.0 PTIONS PS.7%) S loans	0-90.0 Cec 44 29 17 C 58 43 30	Mer	Dec 11 21 34 F 20 30 43	May 16 25 36 36 42 42 52 May	Sep Dec Jan Hear Hear Hear Hear Mer Jan Mer Jan	462.2 468.3 477.5 477.4 481.5 GRADE C Closs 74.55 74.85 75.25 75.25 75.26 75.73 76.00 76.25	483,1 487,1 480,2 480,2 480,2 480,2 480,3 471,1 472,3 OPPER 25,1 74,79 74,79 74,79 75,90 75,90 75,90 75,90 75,90	465.0 467.0 477.5 479.5 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	74.50 74.50 74.50 74.50 74.50 74.86 0 75.50 76.90 76.20 0
spie her my Soverei was Sovere	gr 87.0 PTIONS PS.7%) S loans	0-90.0 Dec 44 29 17 C 58 43 30	69 63 65 65 65 65 65 65 65 65 65 65 65 65 65	Dec 11 21 34 F 20 30 43 Jen 18	Mag 16 25 36 36 42 42 52 Mag 58	Nor Des Jan Heght Mer Apr Heght Jun Jul	482.2 460.3 471.5 477.4 471.5 GPADE C Coss 74.55 74.55 75.25 75.25 75.00 76.00 76.00 76.00	483,9 487,1 489,2 486,3 471,1 472,2 478,3 000000000000000000000000000000000000	465.0 465.0 470.0 472.5 479.5 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	74.50 74.50 74.50 74.50 74.50 74.50 74.50 75.50 76.90 76.20
spie hear w Sovereil LADIEN O Landinium ( This price 550 75 Spier (Gra 25 50 75 Spier (Gra 25 50 75	gr 87.0 PTIONS PS.7%) S loans	0-90.0 Dec 44 29 17 C 58 43 30 Jan 98	50 Single	Dec 11 21 54 5 20 30 43 Jan 18	Mar 16 25 36 36 42 42 42 52 58 58	Sep Dec Jan Hear Hear Hear Hear Hear Hear Hear Hear	482.2 460.3 471.5 477.4 477.4 471.5 GPADE C Closs 74.56 74.56 75.25 75.00 75.75 76.00 76.76 76.76	483.1 487.1 480.2 483.2 483.3 471.2 472.2 472.3 74.70 74.70 75.40 75.40 75.40 75.40 76.70	465.0 470.0 470.5 470.5 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	455.5 450.5 450.5 460.0 464.5 471.0 0 0 74.56 0 74.86 0 76.80 76.80 0 76.80 0
spie her my Soverel Washington (Carabinium Carabinium C	gr 87.0 PTIONS PS.7%) S loans	0-90.0 Dec 44 29 17 C 58 43 30 36 66 41	Mar 69 33 39 445 116 92 72	Dec 11 21 34 54 5 5 5 5 5 5 5 6 7 6 7 5 6	Mar 16 25 36 36 32 42 42 52 52 58 58 52 112	Sep Dec Jan Hear Hear Hear Hear Hear Hear Hear Hear	485.3 465.3 476.3 477.5 477.5 477.5 477.5 687ADE C Close 74.55 74.55 75.25 75.25 75.75 75.75 76.00 76.76	483.1 487.1 489.2 489.3 471.2 472.2 472.3 674.72 74.75 74.75 75.40 75.40 75.40 76.70 76.70	465.0 467.0 477.5 477.5 0 0 0 0 1497.0 175.80 0 75.90 76.25 76.70 0 77.10 0	455.5 450.5 450.5 460.0 464.5 471.0 0 0 74.56 0 74.86 0 76.80 76.80 0 76.80 0
spie her my Soverei van Sovere	gr 87.0 PTIONS PS.7%) S loans	0-90.0 Dec 44 29 17 C 58 43 30 Jan 98	50 Single	Dec 11 21 54 5 20 30 43 Jan 18	Mar 16 25 36 36 42 42 42 52 58 58	Sep Dec Jan Mar Hear Hear Hear Hear Mar Mar Mar Mar Mar Mar Mar Mar Mar M	485.9 448.3 471.5 477.4 481.5 GRADE C Close 74.55 74.85 75.25 75.25 75.75 76.00 78.76 78.76 78.76	483.9 487.1 489.2 489.3 471.2 472.2 472.3 774.75 74.75 74.75 76.20 75.40 75.40 76.70 76.70 76.70	495.5 495.5 470.5 470.5 470.5 0 0 0 0 0 0 0 0 0 75.90 76.25 76.25 76.70 77.10 0 0 75.90 77.10 0 0 75.90 76.25 76.7	456.5 459.5 469.0 469.0 469.0 671.0 0 0 74.50 74.55 0 76.00 76.20 0 76.50 0
spie leaf w Soverei  MADRES O  Accidentate ( No price  25  50  75  Fice LCE  50  50  50  50  50  50  50	gr 87.0 PTIONS PS.7%) S loans	00-90.0 Dec 444 299 117 C C 58 43 30 Jan Dec 50	Mar 118 92 72 Mar 107	Dec 111 21 54 5 20 30 43 Jan 18 39 91 Dec 2	May 16 25 36 36 36 36 36 36 36 36 36 36 36 36 36	Sep Jan Mar Heart Nov Des Jan Aug Chun	462.5 468.3 471.5 471.5 471.5 471.5 471.5 671.5 74.55 74.55 75.25 75.25 75.25 75.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25	483.1 487.1 489.2 489.2 489.3 471.1 472.2 478.3 OPPER 25,1 74.95 74.95 75.90 76.95 775.90 78.45 78.40 78.45 78.90	465.0 465.0 470.0 470.0 470.5 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	74.50 0 0 74.50 74.50 74.50 74.50 0 76.60 0 76.60 0 76.60
pole par w Soveral Walder O washing price 25 60 775 26 60 775 50 50 50 50 50 50 50 50 50 50 50 50 50	gr 87.0 PTIONS PS.7%) S loans	00-90,0 00-	69 53 65 69 53 65 65 65 65 65 65 65 65 65 65 65 65 65	Dec 11 21 54 5 5 30 43 Jen 16 91 Dec 2 7	Mar 16 25 35 36 36 32 42 52 32 Mar 56 52 112 Mar 29 29	Sep Dec Jan Mar Hedit Nov Dec Jan Aug Crium	465.5 466.3 471.5 4774.5 4774.5 4774.5 67A.0E C Close 74.55 75.05 75.75 75.00 76.75 76.00 76.75 76.00 76.75 76.75 76.00 76.75	483.1 487.1 489.2 489.3 471.2 472.2 472.3 674.72 74.75 74.75 75.46 75.50 75.46 75.50 76.70 76.65 76.70 76.65 76.70 76.65 76.70	465.0 465.0 465.5 470.0 470.5 470.5 0 0 0 0 0 0 0 76.20 76.25 76.70 0 77.90 77.10 0 18.85 17.10	74.50 74.50 74.50 74.50 74.50 74.50 76.90 76.90 76.90 76.90 76.90 76.90
pole leaf w Soverei  UADRED O  Anthrium ( The price  25  50  75  DDDer (Gra  25  50  00  00  00  00  00  00  00  00	gr 87.0 PTIONS PS.7%) S loans	00-90.0 Dec 444 299 117 C C 58 43 30 Jan Dec 50	Mar 118 92 72 Mar 107	Dec 111 21 54 5 20 30 43 Jan 18 39 91 Dec 2	May 16 25 36 36 36 36 36 36 36 36 36 36 36 36 36	July Spec Jan Heart Hear	462.5 468.3 471.5 471.5 471.5 471.5 471.5 671.5 74.55 74.55 75.25 75.25 75.25 75.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25 76.25	483.1 487.1 489.2 489.2 489.3 471.1 472.2 478.3 OPPER 25,1 74.95 74.95 75.90 76.95 775.90 78.45 78.40 78.45 78.90	465.0 465.0 470.0 470.0 470.5 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	74.50 0 0 74.50 74.50 74.50 74.50 0 76.60 0 76.60 0 76.60
spie level www. Sovereil ULDED O  Lecthrism (  This price  25  Spie (Gra  25  Spi	gr 87.E PTTOMB 93.7%) 8 Northe	COC 444 29 17 CC 58 43 30 Jan Dec 50 30 16	0 4 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	Dec 11 21 34 F 20 30 43 Jan 16 35 91 Dec 2 7 18 -	Mar 18 25 36 36 36 36 36 36 36 36 36 36 36 36 36	July Specific Specifi	465.5 466.3 4718.3 4718.3 4718.3 4718.5 74.95 74.95 75.95 75.75 75.75 76.00 76.25 76.76 17.76 17.76 17.76 17.76 17.76 17.76 17.76 17.76 17.76	483.9 487.1 489.2 489.5 471.2 472.2 472.2 472.3 74.95 74.95 74.95 75.40 75.40 76.45 76.70 16.65 76.70 16.65 17.15 17.25 17.15 17.27	495.5 495.5 470.5 470.5 470.5 0 0 0 0 0 0 0 75.90 76.25 76.25 76.70 0 0 77.10 0 0 75.90 77.10 0 0 77.10 0 17.50 17.50 17.50 17.10 17.50 17	456.5 458.5 468.0 464.0 0 0 0 74.50 0 74.55 0 76.00 76.00 0 76.50 0 0 76.50 0 0 16.59 16.59 17.10
spie leaf w Soverei  MUREO O  Machiner ( Ros price 25 50 75  Dipler (Gra 25 50 00 00 00 00 00 00 00 00 00 00 00 00	gr 87.E PTTOMB 93.7%) 8 Northe	C C C C C C C C C C C C C C C C C C C	0 4 5 5 5 5 5 5 5 5 5 6 5 5 6 5 6 5 6	Jun Dec 2 7 18 Dec Dec Dec Dec Dec 2 7 18 Dec 2 7 18 Dec Dec 2	Mar 16 25 36 36 36 36 36 36 36 36 36 36 36 36 36	July Special And House Special	462.5 468.3 4718.5 4718.5 4718.5 4718.5 74.55 74.55 75.25 75.25 75.25 76.75 76.76 76 76.76 76.76 76.76 76.76 76.76 76.76 76.76 76.76 76.76 76.76	483.1 487.1 489.2 489.2 489.2 470.3 470.3 670.3	465.0 465.0 465.5 470.0 470.5 470.5 0 0 200 first cent 75.00 0 75.00 0 75.00 0 77.10 0 77.10 0 77.10 17.25 17.10 17.25 17.49 17.27	456.5 456.5 456.5 466.0 464.0 641.0 0 0 74.56 0 74.56 0 76.60 0 76.60 0 0 76.60 0 0 76.60 0 16.59 16.59 16.59 17.30 17.40 17.50
pole her my Soverel was Soverel to the source of the price of the pric	gr 87.E PTTOMB 93.7%) 8 Northe	00000000000000000000000000000000000000	0 4 5 69 53 39 45 77 63 118 92 72 146 146 46	Dec 11 21 34 5 5 30 43 Jun 16 37 7 18 - Dec 53	May 18 25 25 25 2 25 2 29 39 39 39 50 50 50 50 50 50 50 50 50 50 50 50 50	July Special Action of the Control o	462.5 468.3 471.5 4778.3 4778.5 4778.5 74.55 74.55 75.25 75.25 75.25 75.25 76.50 78.76 17.87 17.88 17.29 17.88 17.88 17.88 17.88 17.88 17.88 17.88	483.9 487.1 489.2 489.3 471.2 472.2 472.3 674.7 74.75 74.75 75.90 75.46 75.90 76.70 76.90	465.0 465.0 465.0 470.0 470.5 0 0 75.90 76.20 76.20 76.20 77.10 0 75.90 77.10 0 77.10 0 17.40 17.40 17.40 17.40 17.40 17.40	74.50 74.50 74.50 74.50 74.50 76.90 76.90 76.90 76.90 76.90 76.90 76.90 77.90 17.90 17.90 17.90 17.90 17.90
spie lead of the spiece of the	gr 87.E PTTOMB 93.7%) 8 Northe	C C C C C C C C C C C C C C C C C C C	0 4 5 5 5 5 5 5 5 5 5 6 5 5 6 5 6 5 6	Jun Dec 2 7 18 Dec Dec Dec Dec Dec 2 7 18 Dec 2 7 18 Dec Dec 2	Mar 16 25 36 36 36 36 36 36 36 36 36 36 36 36 36	July Special And House Special	462.5 468.3 4718.5 4718.5 4718.5 4718.5 74.55 74.55 75.25 75.25 75.25 76.75 76.76 76 76.76 76.76 76.76 76.76 76.76 76.76 76.76 76.76 76.76 76.76	483.1 487.1 489.2 489.2 489.2 470.3 470.3 670.3	465.5 465.5 470.5 470.5 470.5 0 0 0 0 0 0 75.90 0 75.90 0 75.90 0 77.10 0 77.10 0 77.10 0 17.40	456.5 456.5 456.5 466.0 464.0 641.0 0 0 74.56 0 74.56 0 76.60 0 76.60 0 0 76.60 0 0 76.60 0 16.59 16.59 16.59 17.30 17.40 17.50

Dec		Provious	HONLOW	<u> </u>	BOYA	BEANS &D	00 bu mirc co	Briths/60Rb bus	hal
	61.10	50.46	61,20	50.36		Close	Provious	HalvLow	
Jen	51.90	61.29	52.00	51.25	Nov	679/0	630/4		
Feb Mer	52.45 52.10	51.74 01,54	52.45 62.10	51.76 01.86	Jen	66840	- 639AD	890/0 869/0	661/0
Acr	61.45	60.99	61.45	51.00	Mar	675/0	645/0	675/0	675/0
May	50.90	50.44	50.90 .	50.50	May Jul	678/6 680/6	648/6	678/6	678/0
) LED	50.40	50.14	50.55	50.30	Aug	679/0	650/8 649/0	680/6 679/0	680/6 678/4
Jed	60.70	50.84	80.85	- 50.55	Sep	886/0	635/0	668/0	655/0
Aug Sep	61.50 52.55	50.89 61.84	61,50 62,50	01.50 52.50	Nov	647/6	625/2	850/4	636/0
_			02.04	34.30	BOYA	BEAN OIL	60,000 Rbs; c	ents/fb	
COCCO		es;E/lormes				Close	Previous	HighVLow	
	Close	Previous	High/Lou		Dec	24.61	23.61	24,61	24.50
Dec	1119	1062	1122	1063	Jan Mar	24.00	23.89 23.85	24,68	24.69
Mar	1178	1145	1160	1148	May	24.95	23.95	24.86 24.95	24.86 24.85
May	1198	1161 ·	1199	1187 1181	Ju.	24.99	23.93	24.99	24.95
Sep	1216	1184	1217	1194	Ашо Зер	24.80 24.65	23.60 23.65	24,80	24.80
Dec	1230	1197	1230	1200	Oct	24.30	23.30	24,85 24,30	24.50
Mar	1245	1210	1240	1228			L 100 tones 8		20.00
May	1206	1231	0	0	00114				
Sep	1278 1297	1243 · 1262	0	0		Close	Previous	High/Low	
_				<u> </u>	Dec Jen	210.7 208.4	200.7 195.4	210.7	210.7
COM		600lbs; con	100		Mar	207.7	197.7	208.4 207.7	208.4
	Close	Provious	High/Low	,	May	207.7	197.7	207.7	206.0
Dec	78.05	75.78	78.25	74.10	Jul	205.7	198.7	206.7	205.5
Mer	78.80	78.40	79.00	77.00	Aug Sep	208,0	198.0	208.0	205.0
Mey	BO.25	79.90	80,40	78.50	Oct	205.0	197.3 196.2	207.3 206.0	203.5
Jul	61.70	61.45	81.00	80.40	HAZZ		min; cents/56		201,0
Вер	83.25	62.85	82.00	82.00		Close	$\overline{}$		
Dec	86.00	85.25 87.50	0	0	Dec		Previous	High/Low	
					Mer	273/4	261/4 266/6	273/4 280/8	273/4
5004	K WORLD	*11° 112,00	10 lbs; con	BARDO	May	284/4	272/4	284/4	280/6 284/4
	Close	Previous:	High/Low	,	Jul	265/6	273/8	285/6	284/0
Mer	10.10	10.02	10,10	10.08	Sep	275/6 285/6	265/4	275/6	273/4
May	10.31	10.25	10.96	10.27	Mar	272/0	262/2	287/4 27 <b>4/</b> 2	262/0
Jul	10.41	10.33	10.45	10.37	WHEA	7 5,000 bu	min; cents/8		2000
Oct -	10.59	10.32	10.42	10.36			Previous	High/Law	
						Close			
COTT	D00,000	be; center	bs -		Dea				
COTTO	Cione	Ext; cents/I	High/Low		Dec Mar	345/2 345/0	385/6 385/2	351/0 350/0	342/0
	Close	Previous	High/Low		May	345/2 345/0 334/4	385/6 385/2 325/2	351/0 350/0 338/0	344/0
Dec	Close 67.67 59.89			87.45 59.59	Mar May Jul	345/2 345/0	385/6 385/2 325/2 315/6	351/0 350/0 338/0 329/0	344/0 333/4 323/0
Dec Mer May	67.67 59.89 . 60.95	Previous 58,35 68,46 56,77	High/Low 68.15 60.10 61.50	87.45 59.59 80.95	Mar Mey Jul Sep Dec	345/2 345/0 334/4 324/4 329/0 335/4	335/6 335/2 325/2 315/6 321/0 329/6	351/0 350/0 338/0	344/0 333/4 323/0 329/0
Dec Mer May Jul	67.87 59.89 . 90.95 82.00	Previous 55,35 56,46 56,77 80,70	High/Low 58.15 80.10 81.50 62.45	87.45 59.59 80.85 61.80	Mar Mey Jul Sep Dec Jul	345/2 345/0 334/4 324/4 329/0 338/4 325/0	385/6 385/2 325/2 315/6 321/0 329/6 315/0	351/0 350/0 338/0 329/0 330/0 340/0 0	344/0 333/4 323/0
Dec Mer May Jul Oct	67.67 59.89 . 60.95	55.35 58.46 58.77 80.70 61.95	High/Low 58.15 80.10 81.50 82.46 82.90	87.45 59.56 60.86 61.90 62.60	Mar Mey Jul Sep Dec Jul	345/2 345/0 334/4 324/4 325/0 335/4 325/0	335/6 335/2 325/2 315/6 321/0 329/6	351/0 350/0 338/0 329/0 330/0 340/0 0	344/0 333/4 323/0 329/0 335/4
Dec Mer May Jul	57.57 59.89 90.95 82.00 82.78	Previous 55,35 56,46 56,77 80,70	High/Low 58.15 80.10 81.50 62.45	87.45 59.59 80.85 61.80	Mar Mey Jul Sep Dec Jul LIVE C	345/2 345/0 334/4 324/4 329/0 338/4 325/0	385/6 385/2 325/2 315/6 321/0 329/6 315/0	351/0 350/0 338/0 329/0 330/0 340/0 0	344/0 333/4 323/0 329/0 335/4
Dec Mer May Jul Cet Dec Mer	67.67 56.89 90.95 82.00 82.78 82.80 83.50	Previous 56.95 56.46 56.77 80.70 61.95 62.90 62.70	High/Low 58.15 80.10 81.50 62.46 82.90 83.36 0	87.45 59.59 80.86 61.90 62.80 62.70	Mar May Jul Sep Dec Jul LIVE C	345/2 345/0 334/4 324/4 329/0 338/4 325/0 XATTLE 40, Cione 73,825	335/5 335/2 325/2 315/6 321/0 329/8 315/0 000 lbs; cent Previous 73.550	351/0 350/0 338/0 329/0 330/0 340/0 0	344/0 333/4 323/0 329/0 335/4 0
Dec Mer May Jul Cet Dec Mer	67.67 50.89 . 90.95 82.00 82.78 82.80 68.50	Previous 55.35 55.45 56.77 60.70 61.95 62.90 62.70 15,000 Res	High/Low 68.15 60.10 61.50 62.45 62.90 63.35 0	87.45 69.59 80.86 61.90 62.90 62.70	Mar May Jul LIVE C	345/2 345/0 334/4 324/4 329/0 338/4 325/0 Ciose 73,825 74,775	335/5 335/2 325/2 325/2 315/6 321/0 329/6 315/0 000 lbs; cent Previous 73.550 74.825	351/0 350/0 338/0 329/0 330/0 340/0 0 br/bs High/Low 74.175 74.925	344/0 333/4 323/0 329/0 335/4
Dec Mer May Jul Cet Dec Mer	67.67 56.89 90.95 82.00 82.78 82.80 83.50	Previous 56.95 56.46 56.77 80.70 61.95 62.90 62.70	High/Low 58.15 80.10 81.50 62.46 82.90 83.36 0	87.45 69.59 80.86 61.90 62.90 62.70	Mar May Jul Sep Dec Jul LIVE C	345/2 345/0 334/4 329/0 336/4 325/0 2ATTLE 40, Cione 73.825 74.775 76.600	335/5 335/2 325/2 315/6 521/0 329/6 315/0 000 fbs; cent Previous 73.550 74.825 76.250	351/0 350/0 338/0 329/0 330/0 340/0 0 High/Low 74.175 74.925 76,775	344/0 333/4 323/0 328/0 335/4 0 73.300 74.125 76.075
Dec Mer Mey Jul Oct Dec Mer ORAN	67.87 59.89 90.99 82.00 62.78 82.80 83.50 GE JUNCE Cione	Previous 55.35 56.46 56.77 60.70 61.95 62.90 62.70 15,000 Re; Previous	High/Low 58.15 60.10 61.50 62.46 62.90 63.36 0 canta/fine High/Low 105.00	87.45 69.59 80.86 61.90 62.90 62.70	Mar May Jul Sep Dec Jul LIVE C Feb Apr Jun Aug	345/0 334/4 329/0 338/4 325/0 2ATTLE 40, Cione 73,825 74,775 76,600 73,400 72,050	335/5 335/2 325/2 325/2 315/6 321/0 329/6 315/0 000 lbs; cent Previous 73.550 74.825	351/0 350/0 338/0 329/0 330/0 340/0 0 sv/bs High/Low 74.175 74.925 76.775 73.626	344/0 333/4 323/0 329/0 335/4 0 73.300 74.126 76.075 72.850
Dec Mer Mey Jul Cet Dec Mer ORAN	Close 67.87 59.89 69.95 82.00 82.78 82.80 69.50 GE JUNCE Close 104.75 107.70	Previous 58.36 58.46 58.77 60.70 61.95 62.70 16,000 lbs; Previous 102.85 105.90	High/Low 58.15 80.10 81.50 62.45 62.45 62.90 83.35 0 conta/los High/Low 105.00 108.20	87.45 59.39 50.35 50.35 51.90 52.90 82.70 0	Mar Mey Jul Sep Dec Jul LIVE C Feb Apr Jun Aug Oct	345/2 345/0 354/4 323/4 325/0 336/4 325/0 2ATTLE 40, Cione 73,825 74,775 76,800 72,000 72,000	335/6 335/2 325/2 325/6 321/0 329/6 315/0 000 lbs; cent Previous 73,50 74,825 76,250 72,825 71,076 72,100	351/0 350/0 338/0 329/0 330/0 340/0 0 High/Low 74.175 74.925 76,775	344/0 333/4 323/2 335/4 0 73.300 74.125 72.850 71.750
Dec Mer May Jul Cet Dec Mer ORAN	Ciose 67.87 59.89 60.95 82.00 82.78 82.60 68.50 GB.50 Ciose 104.75 107.70 110.85	Previous 56.36 56.48 56.77 60.70 61.95 62.90 62.70 16,000 bs; Previous 102.55 105.50 106.65	High/Low 68.15 80.10 81.90 62.46 82.90 83.36 0 conta/los High/Low 105.00 108.20 110.70	87,45 56,39 60,96 61,90 62,90 62,70 0	Mary Mey Jul Sep Dec Jul LIVE C Feb Apr Jun Aug Oct Dec	345/2 345/0 334/4 324/4 328/0 338/4 325/0 Cione 73,225 74,775 76,600 72,500 72,500 73,300	335/6 335/2 325/2 325/2 315/6 321/0 329/8 315/0 000 lbs; cent Previous 73.550 74.825 76.250 72.925 71.076 72.900	351/0 350/0 338/0 329/0 330/0 340/0 0 340/0 0 74.175 74.925 76.775 73.626 72.350 73.350	344/0 333/4 328/0 328/0 335/4 0 73.300 74.126 72.050 71.750 72.000
Dec Mer May Jul Cet Dec Mer ORAN	Ciose 67.87 59.89 80.95 82.00 82.78 82.80 63.50 06.50 104.75 107.70 110.85 112.10	Previous 55.35 56.46 56.77 60.70 61.95 62.90 62.70 15,000 Rs; Previous 102.85 105.95 1104.00	High/Low 58.15 60.10 61.50 62.45 62.95 63.35 0 conta/los High/Low 105.00 108.20 110.70 113.25	87.45 59.59 60.86 61.80 62.90 62.70 0 108.50 109.50 109.50 112.00	Mary Mey Jul Sep Dec Jul LIVE C Feb Apr Jun Aug Oct Dec	345/2 345/0 334/4 324/4 328/0 338/4 325/0 Cione 73,225 74,775 76,600 72,500 72,500 73,300	335/6 335/2 325/2 325/6 321/0 329/6 315/0 000 lbs; cent Previous 73,50 74,825 76,250 72,825 71,076 72,100	351/0 350/0 338/0 329/0 330/0 340/0 0 340/0 0 74.175 74.925 76.775 73.626 72.350 73.350	344/0 333/4 323/2 335/4 0 73.300 74.125 72.850 71.750
Dec Mer May Jul Oct Dec Mer ORAM Nov Jen Mer Mey Jul	Ciose 67.87 59.89 60.95 82.00 82.78 82.60 68.50 GB.50 Ciose 104.75 107.70 110.85	Previous 56.36 56.48 56.77 60.70 61.95 62.90 62.70 16,000 bs; Previous 102.55 105.50 106.65	High/Low 561.15 60.10 61.90 62.45 62.90 63.35 0 conta/los High/Low 105.00 106.20 110.70 113.25 114.60	87,45 59,39 50,35 51,39 62,50 62,70 0 103,50 109,30 112,00 114,50	Mary Mey Jul Sep Dec Jul LIVE C Feb Apr Jun Aug Oct Dec	345/2 345/0 334/4 324/4 328/0 338/4 325/0 Cione 73,225 74,775 76,600 72,500 72,500 73,300	335/6 335/2 325/2 315/6 3219/6 315/0 329/6 315/0 000 lbs; cent Previous 73.550 74.825 76.250 72.925 71.00 72.900	351/0 350/0 338/0 329/0 330/0 340/0 0 s/fbs High/Low 74.175 74.925 76.775 73.626 72.550 73.850	344/0 333/4 328/0 328/0 335/4 0 73.300 74.126 72.050 71.750 72.000
Dec Mer May Jul Cet Dec Mer ORAN Nov Jen Mer Mer Mer	Ciose 67.67 50.89 60.95 82.00 62.76 82.80 63.50 63.50 63.50 104.75 107.75 110.85 112.10 113.60	Previous  55.35  55.46  56.77  60.70  61.95  62.90  62.70  15,900 Re; Previous  102.85  105.90  110.40  112.40	High/Low 58.15 60.10 61.50 62.45 62.95 63.35 0 conta/los High/Low 105.00 108.20 110.70 113.25	87.45 59.59 60.86 61.80 62.90 62.70 0 108.50 109.50 109.50 112.00	Mary Mey Jul Sep Dec Jul LIVE C Feb Apr Jun Aug Oct Dec	345/2 345/0 334/4 323/4 323/4 325/0 2ATTLE 40, Cione 73,825 74,775 76,600 73,400 72,050 72,500 73,300 POGS 40,00 Cione	335/6 335/2 325/2 325/2 315/6 3216/6 3216/6 315/0 000 lbs; cent Previous 73.550 74.825 76.250 72.900 72.900 10 fb; centalk	351/0 350/0 338/0 329/0 330/0 940/0 0 sv/los High/Low 74.175 74.925 76.775 73.650 72.550 72.550 73.350	344/0 333/4 328/0 328/0 335/4 0 73.300 74.126 72.050 71.750 72.000
Dec Mer May Jul Oct Dec Mer ORAN Nov Jen Mer Mer Jul Sep Nov	Ciose 67.87 59.89 60.95 52.00 62.76 62.80 63.50 Ciose 104.75 107.70 110.85 112.10 112.80 112.80	Previous  55.95  56.46  56.70  61.95  62.70  16,000 lbs; Previous  102.85  105.90  106.65  110.40  112.40	High/Low 68.15 60.10 61.90 62.46 62.90 63.35 0 canta/fos High/Low 105.00 108.20 110.70 113.25 114.60 0	87.45 59.59 60.85 61.80 62.90 82.70 0 108.50 109.30 112.00 114.50 114.50	Mary Mey Jul Sep Dec Jul LIVE C Feb Apr Jun Aug Oct Dec	345/2 345/4 354/4 324/4 325/0 336/4 325/0 247TLE 40, Close 73,825 74,775 76,600 72,050 72,050 72,500 73,300 Close 48,175	335/6 335/2 335/2 315/6 321/0 329/8 315/0 000 fbs; certs 73.550 74.825 76.250 72.900 10 fb; certs/k 72.900	351/0 358/0 338/0 329/0 330/0 340/0 0 14.175 74.925 74.925 72.350 72.350 72.550 73.350	344/0 333/4 323/0 328/0 335/4 0 74.125 76.075 72.850 71.750 72.900
Dec Mer May Jul Oct Dec Mer ORAN Nov Jen Mer Mer Jul Sep Nov	67.87 59.69 60.95 82.00 62.78 82.60 63.50 63.50 63.50 104.75 107.70 110.85 112.10 112.80 112.80 112.80 112.80	Previous 55.35 65.46 59.77 61.95 62.90 62.70 15,000 lbs; Previous 102.85 110.40 112.40 111.40	High/Low 68.15 60.10 61.90 62.46 62.90 63.35 0 canta/fos High/Low 105.00 108.20 110.70 113.25 114.60 0	87,45 59,39 50,35 51,39 62,50 62,70 0 103,50 109,30 112,00 114,50	Mar Mey Jul Sep Jul LIVE C Cec Feb Apr Jun Oct Dec LIVE I	345/2 345/0 334/4 323/4 325/0 336/4 325/0 2ATTLE 40, Giose 73,825 74,775 76,600 73,400 72,500 73,300 0055 40,00 Ciose 48,175 47,250 47,250	335/6 335/2 325/2 325/2 315/6 3216/6 3216/6 315/0 000 lbs; cent Previous 73.550 74.825 76.250 72.900 72.900 10 fb; centalk	351/0 350/0 338/0 329/0 330/0 340/0 0 6//bs High/Low 74.175 74.925 76.775 73.626 72.350 72.550 73.350 74.925 74.92	344/0 333/0 323/0 328/0 335/4 0 74.125 76.075 72.890 71.750 72.900
Dec Mer Mer Mer Dec Dec Mer ORAM Nov Jen Mer Mer Mer Mer Mer Mer Mer Jen Jen Jen Jen Jen Jen Jen	67.87 59.89 60.95 82.00 62.78 82.60 68.50 68.50 104.75 107.70 110.85 112.10 112.60 112.60	Previous  55.35  55.46  50.70  61.95  62.70  16,000 lbs;  Previous  102.85  110.40  111.40  111.40	High/Low 68.15 60.10 61.90 62.90 63.35 0 canta/bs High/Low 105.00 108.20 110.70 113.25 114.60 0	87,45 59,59 50,59 51,90 62,90 62,90 62,70 0 108,50 109,30 114,50 114,50 0	Mar Mey Jul Sep Dec Feb Apr Jun Dec Feb Apr Jun	345/2 345/4 354/4 324/4 325/0 335/4 325/0 24TTLE 40, Cione 73,825 74,775 76,600 72,050 72,050 72,500 73,400 73,400 73,400 74,755 47,850 47,850 47,255 52,775	335/6 335/2 335/2 325/2 315/6 321/0 329/6 315/0 000 fbs; cent 73.50 74.825 76.250 72.900 72.900 10 fb; centally Previous 48.575 48.150 47.025 51.350	351/0 358/0 338/0 329/0 330/0 340/0 0 14.175 74.925 74.925 72.350 72.350 72.550 73.350	344/0 333/0 328/0 328/0 335/4 0 74.126 76.075 72.800 71.750 72.900 45.850 47.375 46.600
Dec Mer May Jul Cot Dec Mer GRANN Nov Jul Jul Sap Jul	67.87 59.89 60.95 82.00 62.78 82.60 68.50 68.50 104.75 107.70 110.85 112.10 112.60 112.60	Previous  55.95 66.46 56.70 61.95 62.00 62.70 15,000 lbs; Previous  102.85 110.40 111.40 111.40	High/Low 68.15 60.10 61.90 62.45 62.90 63.35 0 canta/los 105.00 108.00 110.70 113.25 114.60 0 0	87.45 59.59 60.85 61.80 62.90 82.70 0 108.50 109.30 112.00 114.50 0	Mar Mey Jul Sep Jul LIVE C Cec Feb Apr Jun Oct Dec LIVE I	345/2 345/0 334/4 323/4 325/0 338/4 325/0 ATTLE 40, Cione 73,825 74,775 76,600 73,400 73,400 73,500 72,500 73,500 73,500 74,755 76,600 74,755 76,600 73,500 74,775 75,500	335/6 335/2 325/2 325/2 315/6 321/0 329/6 315/0 000 lbs; cent Previous 74,825 76,250 72,900 72,900 74,900 72,900 74,900 7	351/0 350/0 338/0 329/0 330/0 340/0 0 340/0 0 m/lbs High/Low 74.175 74.925 76.775 73.625 72.350 72.550 73.350 28 High/Low 46.800 47.450 52.800 51.950	344/0 333/0 323/0 328/0 335/4 0 74.125 76.075 72.890 71.750 72.900
Dec Mer May Jul Cot Dec Mer GRANN Nov Jul Jul Sap Jul	67.87 59.89 60.95 82.00 62.78 82.60 68.50 68.50 104.75 107.70 110.85 112.10 112.60 112.60	Previous  55.35  55.46  50.70  61.95  62.70  16,000 lbs;  Previous  102.85  110.40  111.40  111.40	High/Low 68.15 60.10 61.90 62.45 62.90 63.35 0 canta/los 105.00 108.00 110.70 113.25 114.60 0 0	87.45 59.59 60.85 61.80 62.90 82.70 0 108.50 109.30 112.00 114.50 0	Mary Mey Jul Sep Dec Jul LIVE C Feb Apr Jun Dec Feb Apr Jun	345/2 345/4 354/4 324/4 325/0 335/4 325/0 24TTLE 40, Cione 73,825 74,775 76,600 72,050 72,050 72,500 73,400 73,400 73,400 74,755 47,850 47,850 47,255 52,775	335/6 335/2 325/2 315/6 3210/6 3210/6 315/0 000 lbs; cent Previous 73.550 74.825 76.250 72.900 72.900 72.900 72.900 74.900 74.900 75.900 76.9000 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.9000 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.9000 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.9000 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.9000 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.9000 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.9000 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.9000 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.900 76.9	351/0 350/0 338/0 329/0 330/0 340/0 0 340/0 0 54/175 74.175 73.626 72.350 72.350 72.350 73.350 46.800 46.800 51,950 50,700	344/0 333/4 323/0 328/0 335/4 0 73.300 74.125 76.075 72.850 72.000 72.900 51.750 51.750 51.750 51.750
Dec Mer May Jul Cot Dec Mer GRANN Nov Jul Jul Sap Jul	67.87 59.89 60.95 82.00 62.78 82.60 68.50 68.50 104.75 107.70 110.85 112.10 112.60 112.60	Previous  55.95  68.46  58.77  61.95  62.00  82.70  15,000 lbs;  Previous  102.85  105.96  110.40  111.40  111.40  111.40	High/Low 68.15 60.10 61.90 62.45 62.90 63.35 0 canta/los 105.00 108.00 110.70 113.25 114.60 0 0	87.45 59.59 60.55 61.90 62.90 82.70 0 108.50 109.30 112.00 114.50 0 0	Mary Mey Jul Sep Jul LIVE C Jul LIVE T  Dec Jul Aug Oct Feb Apr Jun Jul Aug Oct C  Dec Oct Dec Oct Dec Oct Dec Oct Dec	345/2 345/0 334/4 323/4 325/0 338/4 325/0 237/4 73,255 74,775 74,775 72,500 73,400 73,500 73,500 73,500 74,755 75,750 75,750 75,700 75,	335/6 335/2 325/2 325/2 315/6 321/6 321/6 315/0 000 lbs; cent Previous 73,550 74,825 76,250 72,900 72,900 72,900 72,900 72,900 72,900 74,625 74,025 7	351/0 350/0 338/0 329/0 330/0 340/0 0 340/0 0 541,75 74,175 73,626 72,350 72,350 72,350 72,350 72,350 73,350 34 46,800 47,450 52,800 51,950 51,950 46,600 47,450 52,900 47,100	344/0 333/0 323/0 323/0 335/4 0 74.125 76.075 72.950 72.900 72.900 45.250 47.373 46.600 51.750 51.750 51.000 49.200
Dec Mer May Jul Cot Dec Mer GRANN Nov Jul Jul Sap Jul	67.87 59.89 60.95 82.00 62.78 82.80 68.50 68.50 104.75 107.70 110.85 112.10 112.80 112.80 112.80 112.60	Previous  55.95 65.46 65.46 56.70 61.95 62.70 61.95 62.70 15,000 lbs; Previous 102.85 105.95 110.40 111.40 111.40 111.40 111.40 1 Nov 9	High/Low 68.15 60.10 61.90 62.45 62.90 63.35 0 canta/los 105.00 108.00 110.70 113.25 114.60 0 0	87.45 59.59 60.56 61.90 62.90 82.70 0 108.50 109.30 112.00 114.50 114.50 0 0	Mary Mey Jul Sep Jul LIVE C Jul LIVE T  Dec Jul Aug Oct Feb Apr Jun Jul Aug Oct C  Dec Oct Dec Oct Dec Oct Dec Oct Dec	345/2 345/0 334/4 323/4 325/0 338/4 325/0 237/4 73,255 74,775 74,775 72,500 73,400 73,500 73,500 73,500 74,755 75,750 75,750 75,700 75,	335/6 335/2 325/2 325/2 315/6 321/6 321/6 315/0 000 lbs; cent Previous 73,550 74,825 76,250 72,900 72,900 72,900 72,900 72,900 72,900 74,625 74,025 7	351/0 350/0 338/0 329/0 330/0 340/0 0 340/0 0 541,75 74,175 73,626 72,350 72,350 72,350 72,350 72,350 73,350 34 46,800 47,450 52,800 51,950 51,950 46,600 47,450 52,900 47,100	344/0 333/4 323/0 328/0 335/4 0 73.300 74.125 76.075 72.850 72.000 72.900 51.750 51.750 51.750 51.750
Dec Mar May Jul Cet Dec Mer OFLANN Nov Jen Mer Mey Jul Mer Mey Jul Mer Mey Jul Mer Mey Mer Mey Mey Mer Mey Mey Mer Mey Mey Mer Mey	Close 67.87 59.89 90.35 82.00 82.76 82.80 82.76 82.80 104.76 107.70 110.85 112.10 112.60 112.60 112.60 Nov 1: 1614.7	Previous  55.35  56.46  56.46  50.70  61.95  62.70  16,000 Res; Previous  102.85  105.90  104.95  111.40  111.40  111.40  111.40  111.40  111.40	High/Low 68.15 60.10 61.26 62.45 62.45 62.90 83.35 0 contarlos High/Low 105.00 105.00 113.75 114.60 115.00 0 0	87,45 59,59 50,59 51,90 62,90 62,70 0 108,50 109,30 112,00 114,50 114,50 0 0 0 0 0 108,50 109,30 114,50 114,50 108,50 109,30 114,50 114,50 109,30 114,50 109,30 114,50 109,30 10	Mary Mey Jul Sep Jul LIVE C Jul LIVE T  Dec Jul Aug Oct Feb Apr Jun Jul Aug Oct C  Dec Oct Dec Oct Dec Oct Dec Oct Dec	345/2 345/0 334/4 325/0 336/4 325/0 336/4 325/0 336/0 774,775 76,600 772,050 72,050 72,050 72,500 73,300 10085 40,00 47,250 47,250 47,250 47,250 47,250 47,250 47,250 47,250 47,100 48,250 47,100 48,250 47,100 48,250 47,100	335/6 335/2 325/2 325/2 315/6 321/0 329/6 315/0 000 lbs; cental Previous 73,50 74,825 76,250 72,905 71,078 72,100 72,900 10 lb; cental 46,575 48,150 47,025 50,475 49,200 45,600 45,600	351/0 350/0 338/0 329/0 3340/0 340/0 0 sr/bs High/Low 74.175 74.925 76.775 73.626 72.350 72.550 72.350 72.350 46.800 46.800 47.450 51.950 51.950 47.100 sr/bs	344/0 333/0 328/0 328/0 335/4 0 73.300 74.125 76.075 72.900 71.750 72.900 45.850 47.375 46.600 51.750 51.750 51.750 51.750 51.900 45.200
Dec Mar May Jul Cet Dec Mer OFLANN Nov Jen Mer Mey Jul Mer Mey Jul Mer Mey Jul Mer Mey Mer Mey Mey Mer Mey Mey Mer Mey Mey Mer Mey	Close 67.87 59.89 90.35 82.00 82.76 82.80 82.76 82.80 104.76 107.70 110.85 112.10 112.60 112.60 112.60 Nov 1: 1614.7	Previous  55.35  58.46  58.77  61.95  62.70  15,000 Rs; Previous  102.85 105.90 106.95 110.40 111.40 111.40 111.40 111.40 111.40 18.85 10.85 10.90 1613.0  88800 Dec.	High/Low 58.15 90.10 et.90 62.45 92.90 83.35 0 contarlos High/Low 105.00 105.00 113.25 114.60 115.00 0 0	87,45 59,59 50,59 51,90 62,90 62,90 62,70 0 108,50 109,30 114,50 114,50 0 0 0 0 0 14,50 14,50 0 0 0 0 0 1849,2 1849,2 1849,2 1859,2	Mary Mey Jul 80p Dec Jul LIVE 6 Cot Dec LIVE 1 Aug Oct Dec LIVE 1 Aug Oct Dec PORK	345/2 345/0 334/4 325/0 338/4 325/0 338/4 325/0 338/4 325/0 338/0 72,500 73,300 72,500 73,300 70,300 73,300 74,750 74,750 74,750 74,750 74,750 74,750 74,750 74,750 74,750 75,700	335/6 335/2 325/2 325/2 325/0 327/0 329/0 315/0 000 lbs; cental Previous 73,550 76,250 74,825 76,250 72,905 71,978 72,100 72,900 10 lb; cental 46,575 48,150 47,925 49,200 45,650 45,650 45,650 45,650 45,650 45,650 45,650	351/0 350/0 338/0 329/0 330/0 340/0 0 340/0 0 541,75 74,175 73,626 72,350 72,350 72,350 72,350 72,350 73,350 34 46,800 47,450 52,800 51,950 51,950 46,600 47,450 52,900 47,100	344/0 333/0 328/0 328/0 335/4 0 73.300 74.125 76.075 72.900 71.750 72.900 45.850 47.375 46.600 51.750 51.750 51.750 51.750 51.900 45.200
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## KOREAN FINANCIAL MARKETS

Thursday November 11 1993

NITIAL scepticism about President Kim Young sam's commitment to financial liberalisation has baen replaced by growing optimism that the new South Korean leader is serious about dereguleaner is serious about usregu-lating one of Asia's most pro-tected capital markets. Liberalisation hopes were given a boost in mid-August when Mr Kim announced a ban on the tax dodse of using false

on the tax dodge of using false names in financial transactions, which will increase transparency in the banking

transparency in the panking industry and money markets. But perhaps the most significant result of the ban on anonymous accounts will be that it may accelerate implementation of the government's five-year (1993-1997) financial reform plan, which was announced at the beginning of July.

Requiring the use of real names in financial dealings has increased pressure on the government to introduce other changes to counter the threat of untaxed money flowing out of banks and into the large underground economy - esti-mated to be equal to 20 per over the next several years.

Deregulation of all interest rates - a crucial component of the reform package - is considered instrumental in preventing a liquidity drain because it would give banks the freedom to offer higher deposit rates and by doing so improve their ability to attract funds.

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The government has freed most lending rates earlier this month and it has been snggested that deposit rates will be deregulated completely ahead of the current 1996 dead-

The financial stability of the banks will also be improved as the government gradually reduces its interference in the allocation of credit. The state's past policy of forcing banks to give low-interest loans to strategic industries has burdened them with a large share of non-

performing assets.

Meanwhile, barriers to the free flow of capital into and out of the country are also set to be dismantled. Foreigners will





### Freedom moves higher up the agenda

porate borrowing abroad. The exchange rate system will be liberalised.

These changes are taking place as Korean officials acknowledge that the current financial system has outlived its usefulness.

The present financial structure was shaped by the critical rols it played in the country's centralised economy during the past three decades. The state, for example, used the banking system to funnel scarce capital to the heavy industries that led Korea's export drive. Interest rates were kept under control to ensure that strategic companies were provided with cheap

But the past few years have

One of the world's most tightly controlled markets is finally facing the prospect of deregulation. John Burton finds a growing awareness that the system's restrictions are hampering the nation's economic growth

industrial performance and hampering economic develop-

Credit allocation has become increasingly inefficient and this has created distortions in the industrial structure. Money has been poured into favoured industries that are no longer competitive.

The government's credit policy also promoted the economic dominance of the nation's large conglomerates, or chaebol, while hindering the growth of small and mediumcentrate on a few core indus- bution of credit governed by tries. The lack of funds for the small business sector bas meant that the country's subcontracting network remains underdeveloped, while entrepreneurial ventures have been

OMPANIES that are competing for funds on the open financial markets must pay high interest rates. Deregulation would eliminate the two-tier financial system of cheap state-directed

market forces. A deregulated financial mar-ket and the increased inflow of

foreign investment would high capital cost structure and improve corporate balance sheets, which are highly-lever-This would allow companies

to spend more money on such long-term goals as research and development instead of devoting considerable financial resources to servicing their

critic of Korea's closed financial market. Washington claims that the financial restrictions not only hamper

The US has been a persistent

the operation of foreign banks

in Korea, but also represent a

barrier to foreign investment

Foreign companies, for

example, bave difficulties in

raising sufficient funds to

expand activities. That argu-

ment has proved persussive

since Korean officials are wor-

ried about declining foreign investments and a growing

Although momentum

appears to be increasing in

favour of financial liberalisa-

tion, some foreign financial

number of disinvestments.

in the country.

turing industries that offer export potential. While economic arguments alone provide a compelling reason for Korea to adopt financial liberalisation, it is also facing foreign pressure to relax restrictions.

The conclusion of the Uru-guay round of the General Agreement on Tariffs and Trade negotiations would push the move toward free trade in financial services.

Korea must also internationalise its financial market if it debts. Increased R&D spending wants to achieve its goal of representatives in Seonl achieve "economic democracy" is vital since Korea lacks joining the Organisation for remain cautious about the in what the president has prostrength in advanced manufactures. Economic Co-operation and scope and timing of the dereguit claimed as the "New Korea".

lation measures.
"It all looks fine on paper, but we still have yet to see most of the steps being taken, said the head of a western bro-kerage firm. Indeed, some of the most important liberalisauled to be introduced until

This bas raised coocerns that the Korean government may revert to its past record of announcing reforms and then delaying them. The current five-year liberalisation plan, for example, is only the latest of several similar programmes that have been offered over the past few years, but which have failed to be implemented.

Ministry of finance officials argue that this time things will be different. They point out that the government is showing greater commitment to liberalisation by offering a pre-cise timetable for the reforms.

Their introduction will also no longer be dependent on the achievement of macro-economic preconditions, a feature of previous plans that critics charged would delay the reform process. Moreover, a few reforms, such as the easing of controls on foreign exchange transactions have been intro-duced ahead of schedule.

But the most significant factor that could guarantee successful implementation of the plan this time is Mr Kim's anticorruption campaign, which is weakening bureaucratic resis-tance to change.

The bureaucracy opposed liberalisation because state control of the economy provided officials with the opportunity to accept bribes in return for granting favours to business.

However, the ban on anonymous accounts, which were used to hide pay-offs, has deprived officials of the possibility to keep their ill-gotten money out of sight. The result is that bureaucrats may have less incentive to maintain financial controls.

Moreover, Mr Kim has installed a new generation of reform-minded technocrats who argued that financial liberalisation is necessary to

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to the

The nation's banks must adapt or face extinction, writes John Burton

### Over the first hurdle

THE NEXT five years promise to be a use borrowed names, to be registered conditions depressed credit demand. conditions depressed credit demand. The bank deposit rates set by the ly-protected and regulated banking industry as it becomes buffetted by the winds of financial liberalisation.

Inefficiently overmanned and saddled with a large amount of non-performing loans, some of the nation's 23 city and regional commercial banks are threatened with extinction unless they adapt swiftly to the demands of a deregulated market.

Bu confidence, has risen that the banks may prove equal to the task after they successfully passed the first test of finan-cial liberalisation: a ban on anonymous bank accounts ordered by President Kim Young-sam in August. Despite widespread predictions that tax dodgers would withdraw large amounts of funds and deplete the banks' deposit base, the reform barely

caused a ripple. A requirement that false-name account holders show identification before withdrawing their funds robbed them of their anonymity and discouraged them from emptying their accounts. Another advantage was that funds held in fictitious-name accounts represented only 1.9 per cent of the Wool54,100bn deposited in banks.

But the banks are still worried about a bigger potential problem resulting from the real-name financial system. The government wants nominee accounts, which under their owners' true identity by 1996, when a comprehensive tax system is to be introduced.

At least Won30,000bn, or a fifth of bank deposits, are estimated to be in borrowedname accounts. Banks fear a steady outflow of deposits over the next two years as account owners try to beat the tax man. Moreover, the identification process that halted withdrawals from false-name accounts is useless in the case of nominee

Regulated interest rates have proved to be both a blessing and curse for Korean banks

The threat of an erosion of the banks' deposit base may force the government to accelerate the deregulation of interest rates and improve the banks' ability to gain new funds.

Regulated interest rates have proved to be both a blessing and curse for Korean hanks. The healthy interest rate spread guaranteed under the system contributed to the 28.4 per cent rise in the 1992 operating profit for commercial banks, which amounted to Won2,596bn, although operating income growth slowed to 12.3 per cent in the first half of 1993 as bad economic

The bank deposit rates set by the government, however, also represent a problem since they are lower than those offered by short-term finance companies, making it difficult for banks to attract funds. Banks account for 45 per cent of all funds deposited in financial institutions. Moreover, asset formation is slowing down

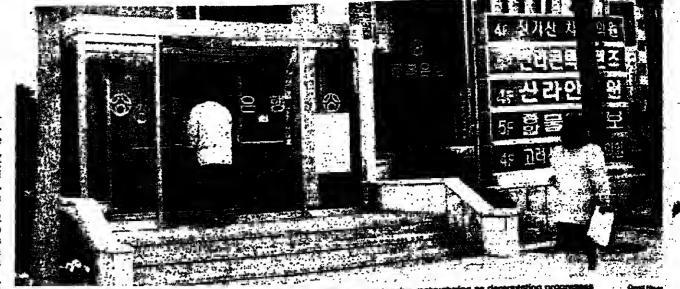
**KOREAN FINANCIAL MARKETS 2** 

as the economy stumbles.

The liberalisation of both lending and deposit rates, which is now scheduled to completed by 1996, could enable banks to retain their deposit base and sustain their margin spreads through higher loan

The government freed almost all lending rates at the beginning of this month and it has hinted that it will complete the liberalisation of deposit rates, 40 per cent of which are now unrestricted, ahead of its 1996 deadline. The ministry of finance also says it will phase out the credit allocation policies that have burdened the banks with a large amount of non-performing loans, totalling Won10,200hn or almost 7 per cent of all bank credits.

The bad loan problem is particularly acute for some of the older banks, which have been regulated the longest. Non-performing loans held by the Commercial Bank of Korea, the country's largest bank,



John Wadle, an banking analyst for BZW

The government has required banks to provide as much as half of their loans at below market rates to designated strategic industries. In addition, the banks have also been forced to set aside 45 per cent of their loans for small and medium-sized

These credit control policies bave severely limited the banks' autonomy and prevented them from operating efficiently. "Interest rate deregulation and the abolition of credit controls will allow the banks to operate in a regular manner instead as a financial tool of the government," said

in Seoul. But not all of the Korean banks are likely to survive in a deregulated market and the industry is expected to witness an

extensive restructuring. The government may encourage bank mergers by easing ownership rules that limit shareholding stakes. The result could be the emergence of two or three Korean mega-banks by the end of the decade. The merger of strong banks with weaker ones would help solve the bad loan problem and

encourage rationalisation of operations.

Banks might also be permitted to engage in other financial sectors, such as broker age and investment consultation, to increase turnover and profits.

However, these proposals alone may not be able to remove the serious threat posed by the large amount of non-performing loans. Instead of the government halling out the troubled banks, there are suggestions that so-called "bad banks" should be created to manage dodgy assets or that banks should be permitted to transform bad loans into equity stakes in creditor

EDIUM-SIZED Shinban Bank has emerged as one of the best performers in South Korea's trou-

bled banking sector. Shinhan, founded in 1982 by a group of Korean businessmen living in Japan, was the first of saven commercial banks created over the past decade as part of a government policy to foster competition against the country's six main city banks. It now ranks as the country's sixth largest bank with 126 branch offices and total assets of Won15,630bn last year, baving donbled in size since 1989.

Analysts predict that its rapid growth will continue. After posting a 23 per cent growth rate in total assets last year, assets are likely to increase by 16 per cent in 1993 and 21 per cent in 1994, according to one estimate by BZW in Seoul.

Although net earnings grew by a meagre 8.3 per cent to Won125.2bn in 1992 and are expected to decline by 4.2 per cent to Won120hn this year due to increased taxation, it still has the third largest bank

contributing factors profits in Korea after the much higger Korea First and Hanil banks. Operating income, however, is expected to jump by 27 per cent in 1993 and 1994, after growing by 8

per cent last year. Shinhan's relative youth and modest branch network are two reasons it is able to main tain high profit margins and one of the strongest capital bases among Korean banks.

The fairly recent establishment of Shinhan bas meant that it has not been forced by the government to provide a large amount of the low-interest industrial policy loans that bave caused bad debt problems for older banks. Its non-performing loans at

the end of 1992 amounted to Won210bn, or 2 per cent of total loans. In contrast, the ratio of non-performing loans for the six main city banks was 8.8 per cent of total cred-

■ PROFILE: SHINHAN BANK

Youth and modesty

The bank has been able to maintain a strong balance sheet in terms of capital and assets

Its. This has meant that Shinhan bas been able to maintain a strong balance sheet in terms of capital and assets. Most Korean banks will be forced to boost their equity base or keep lending growth io check to fulfil the Bank of

International Settlements global capital adequacy ratio of 8 per cent by 1995. Shinhan, bowever, already has the highest BIS ratio among commercial banks at 13 per cent

The size of Shinhan's branch

network has meant it has so far avolded the overstaffing problems that are reducing profits at other Korean banks. Although wage levels at Sbinhan are bigher than average for a Korean bank, so is the level of employee prodoctivity. The profit-per-employee ratio is four times the average for the commercial banks.

Operational efficiency has contributed to Shinhan's ability to maintain the highest return-on-assets among Kor-

ean commercial banks during the past four years. Shinhan also enjoys the bighest lending margins

among the main commercial banks, with an estimated interest rate spread of 3.5 per cent last year.
This rollects its strategy of

focusing on lending to small and medium-sized companies. The growth of these businesses is favoured by the government and the central bank is giving cheaper funds to banks willing to lend to them.

tage of this policy to increase its lending margins, with its exposure to the small business sector accounting for an estimated 65 per cent of its loan portfolio against 45 per cent for most other banks.

"Shinhan is coocentrating on a market niche avoided by most banks which believe that lending to small companies is too risky. But Shinhan Is developing a skill in credit analysis that is often lacking in other banks which have relied too much on lending to blg corporate customers," said John Wadle, a banking analyst

at BZW. fully provisioned for loan

The bank is now concentrating on selectively expanding its retail network into rapidly growing arban neighbourboods, with at least 20 branches being opened a year. It has also recently focused on developing business abroad, particularly in south-east Asia, which is a favoured site

Shinhan has taken advan-

Nonetheless, Shinhan was forced to more than double its loan loss provisions last year when the small business sector suffered a record number of bankruptcies as the government squeezed credit to reduce inflation. Bankruptcies are expected to decline this year

for Korean foreign investment.

PROFILE: KFB

### Clearing the way

KOREA FIRST BANK, the country's second largest commercial bank, has gained a reputation for being the most aggressive among the older banks in preparing for a deregulated financial market.

The efforts it has made to rationalise operations, such as reducing staff levels and introducing automation, are already bearing fruit.

It reported the largest profits among Korean commercial banks last year, with a 53 per cent climb in net earnings to Won147bn. Net profits rose by 77 per cent to Won81bn during the first half of 1993 and analysts expect earnings to reach Won150bn for the full year.

Its operating income grew by an impressive 88 per cent in 1992, although this will slow to only 9 per cent growth this year because of the economic slowdown and weaker demand

The Office of Bank Supervision rated KFB as the best managed bank in 1992.

The rationalisation programme was launched by Park Ki-jin, who became the bank's president in 1991. It was thus ironic that Mr Park was forced was alleged that he had provided questionable loans to a failed property company run by his brother. He was the third bank president forced from office this year as a result of a government investigation into corrupt practices in the banking industry. Mr Park's departure, how-

ever, has not slowed down the reforms at KFB, which was established in 1929 as Savings Bank of Korea.

The main emphasis remains John Burton on improving efficiency. An

elimination of 300 jobs over the past two years has reduced the staff level to 8,900, around 600 fewer employees than at the other main banks. It already has the lowest ratio of over head costs per unit of operating income at 44.7 per cent against an industry average of 48.2 per cent.

The bank plans further job. cuts through natural attrition that will reduce its staff to 8,360 by 1995, even as It increases its domestic network - the smallest among the big city banks - to 305 branches

from the current 276. KFB is depending on the installation of automatic cashpoint machines, which have only been recently introduced to Korea, and upgrading computer systems to compensate for the personnel cuts.

It is also promoting a progressive personnel management policy in an attempt to improve customer service. Last year, it became the first Korean bank to guarantee equal career advancement opportunities for employees.

Profits have been improved by deft financial management. It relies less than other banks to resign this spring when it on holding certificates of funds. It has become an aggressive trader in the stock market and reported the industry's biggest gains from securities last year. It also recorded the second-best performance in the industry for managing trust assets after the Bank of Seoul. which specialises in the trust business

KFB must still contend with the critical problems that are also affecting the other older banks. It has a high percentage of non-performing loans.

8.9 per cent of total credits, although its provisions for doubtful accounts has reached 2.1 per cent of losms, above the central bank's 2 per cent guide-

It may also need to raise new equity to meet the Bank of international Settlements' cmital adequacy ratio of 8 per cent by 1966. The bank claims that its equity/essets ratio is 10 per cent, but independent analysts estimate that the ratio is closer to 7 per cent.

Nonetheless, its capital bas remains strong. Total assets emounted in Won27,498 at the end of 1992. It accounts for 14 per cent of loans and 17 per cent of deposits among the commercial banks. Its business is beavily oriented toward the corporate sector, accounting for 90 per cent of loans which are almost evenly divided between large and small com-

KFB, which is already one of the most active Korean banks overseas, is now concentrating on expanding international activities.

It has developed its foreign exchange business by taking the unusual step for a Korean deposits, the costliest source of bank of hiring outside dealers. It is taking a lead in international financial trading, including floating bands overseas and managing international syndicated loans

But net profits from its overseas branches fell by 25 per cent last year to \$9.7m because of large loan loss reserves following a sharp rise in non-performing loans. Loan loss provisions are expected to rise further this year.

John Burton

Rich File

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Tracy Corrigan looks at the problems faced by foreign bankers

# **Profitability strained**

WHILE foreign brokers mean about the ceiling on foreign share ownership, foreign bankers in Korea have their own gripes.

The controlled interest rate environment makes it hard for them to compete for business. Wage costs have spiralled in recent years and labour relations are worsening. The government requires bank branches to put up substantial capital, which reduces their profitability. And the economic slowdown has led to greater credit problems.

Most foreign banks in Korea are involved primarily in the corporate banking sector. According to official figures, the total assets of foreign banks accounted for 10 per cent of the market, or Wonle,914bn last year. However, their market share in deposit-taking is minus-cule - around 1.4 per cent of the total, or

Most of the foreign banks' business is with Korean companies, and consists of short-term credits, often related to trade finance. There is also relatively limited foreign exchange business. However, these markets should grow as the interest rate environment is deregulated over the next few years.

Because of the current lack of a liberalised lending market, the bank market is supplemented by a so-called "kerb" market. The kerb market is a source of funds lent often by wealthy individuals to smallsize businesses which find it difficult to borrow from banks.

The reason it is so hard for them to persuade the banks to lend is that banks are only allowed to charge rates within a restricted range, which discourages banks from lending to weaker credits. "There is not a free market," said one

banker. "Banks are given 'guidance' not to charge above a certain rate. Foreign banks are profitable but it is by using up capital from head office, because branches have to be heavily capitalised. The Bank of Korea assumes capital is free but it's not."

In fact, the profitability of foreign banks is difficult to assess because some banks are charged by their head office for the cost of capital, while others are not.
"A lot of the profitability of banks is just

the differential between Libor - the assumed funding cost for the capital - and returns on assets," said one banker. In addition, banks have experienced an increase in bad debt over the past two years, as a growing number of Korean

sses have failed. The strains on profitability have brought to a halt the flow of arrivals of foreign banks into the country. Foreign

banks currently number 52. With labour costs and other aspects of the operating environment, commercial bank entry will be very slow," said Paul Muther, general manager of the First

Bankers believe a spate of labour problems that have taken placethis year is something which could threaten their future

National Bank of Chicago and head of the Foreign Bankers Group. He said this year was an important one for the bank. "We have reached a crossroads in the profit

dynamics" Higher wage costs and flat revenues mean that profits are failing. "Broadly speaking, a typical foreign bank branch in 1992-3 is generating approximately the same revenue as five-years ago - but the

cost of unionised staff has gone up roughly 100 per cent," Mr Muther said. Bankers believe a spate of labour problems that have taken place this year is something which could pose a threat to their future.

Disputes at ABN Amro and the Bank of Boston have been settled but a strike at Citibank continues and trouble is brewing at Bank of America, Banque Nationale de Paris, Banque Paribas and Standard Chartered. With the exception of Citibank. where the dispute concerns an employee welfare fund, the other strikes are all

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based on pay claims. These claims ofter run into double figures.

Foreign bankers argue that their industry cannot sustain these types of pay increases, and that the net result of the high pay claims is that those foreign banks already in the market have stopped expanding their operations and other banks have been discouraged from entering the market at all. "Unless we can get employee compensation under control. there is no future to the business." Mr

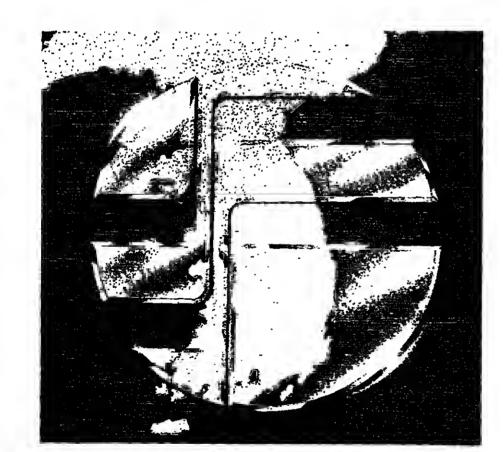
Muther said. Most foreign banks are involved only in corporate banking, and eschew the even more difficult retail market. The exception is Citibank, which has II branches in Korea. According to John Beeman, country corporate officer of Citihank, the retail banking strategy for Citibank in Asia is "sharply focused. The nationwide banks have several hundred branches, so it doesn't cost them that much to set up a

new branch. It costs us a lot of money.
The strategy therefore is to concentrate on products which do not require frequent visits to the bank by customers, such as credit cards and telephone banking, and to target upper-income customers. The bank has a policy of "locating branches in upper-income residential neighbourhoods," he said.

Because most Korean housing is high-rise, the population tends to be highly concentrated and one branch can serve a far higher number of people that it would do elsewhere. For example, within one kilometre of Citibank's branch south of the River Han in Seoul are some 200,000 households

Citibank does not target expatriate clients. In fact, the branch in Seoul's expairiate district was closed, as expatriates do not tend to keep substantial sums of money in the country.

Other foreign banks are not considering entering the retail market. Most of them are preoccupied by the necessity of maintaming their fragile profitability in the



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# Light at the end of the tunnel

LESS THAN two years after the Korean stock market was partially opened to foreign investors, the investment limits oo most prime Korean stocks have already been

reached.

Since January 1992, up to 10
per cent of Korean stocks has
been available for foreign
investment. According to inKie Hong, chairman of the
Korea Stock Exchange, 25 per
cent of companies have
reached their 10 per cent ceiling, with about 200 shares at
more than 9 per cent. more than 9 per cent.

That's most of the big shares," said Sean Goldrick, chief representative of James Capel's Seoul office, The rest of the market consists of shares in companies which are not

While this is proving frustrating for hrokers and investors, hope is in sight. According to

the Korean government's five-the Korean government's five-year economic plan, the ceiling on Korean companies will be raised some time between 1994 and 1995 and again harmon raised some time between 1884 and 1995 and again between 1996 and 1997. However, Chang-Yull Lim, assistant minister at the minis-try of finance save be expected. try of finance, says he expects the ceiling on foreign invest-ment to be raised in the first

half of next year. Mr Lim said he could oot predict by how much the ceiling would be raised. Most market participants are looking for e further 5 per cent, bringing the ceiling to 15 per cent.

The government's gradual approach to liberalisation is dictated primarily by fears that a rapid inflow of foreign investment could fuel inflation. Even with the current limits, the inflow of foreign investment has been substantial: a oet

The most important factor is the potential impact of foreign capital on monetary stability'

\$2.6bo in 1992 and a net \$3.32bo for the first three quarters of 1993, according to the ministry of finance. This means that 6.2 per ceot of the market is owned by foreigners.

owned by toreigners.

"The most important factor is the potential impact of foreign capital on monetary stability," said Mr Lim. For examinating the control of the control ple the \$3bo of net inflow this year accounted for 21 per ceot of total money supply.

However, there are ways

around the 10 per cent limit. One is to buy coovertible bonds, or bonds with equity warrants issued in the Eurohond market. Another is to buy stocks which have already reached their ceillog from another foreign investor. An over-the-counter market has developed in foreign-owned

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stocks, which are bought and sold at a premium. There are 30 to 40 stocks traded in this way, usually at a premium of 3 to 4 per cent, but sometimes at a premium of as much as 50 per cent, as in the case of Korea Mobile Telecom.

But, according to Philip Smiley, hranch manager and direc-tor of Jardine Fleming Securities, it is "terribly difficult to find e company (stock) in sufficient size to interest a foreign institutioo". Foreign investors are ofteo loathe to sell, because they are afraid that they will not be able to get back into the

in any case, the performance of the Korean stock market has been disappointing, particu-larly when compared to other Asian markets such as Hong Kong and Thailand. Korea's relative economic

slowdown and declining profitability have weighed down the stock market's performance this year. But expectations of stronger growth next year had buoyed hopes of an improve-

The introduction of realname trading in August proved a setback for the market. in an effort to stamp out corruption, the government banned the use of false or borrowed names. False names had been

frequently used to avoid tax, or to hide the origin of illegal earoings. About Woo3,000bn was held in false-name accounts, estimated to account for 7 per cent of stock investor

"The market is coming out of a dip." said Mr Smiley. "We felt that there would be a geouine recovery in the last quarter [of 1993], but the flotroduction of the real-name system has knocked that back."

However, the real-name system has been broadly wel-comed, particularly as it became clear that the set-back to the market was temporary.

"It is not such a cataclysm as it was first thought," said Wil-liam Daniel, branch manager of Baring Securities. This was partly because the government had proved flexible in its interpretation of the rules; he said, adding that it was expected eventually to help the market. "It's a positive move and in the long term will bring greater probity," said ooe broker. and country funds to maio. stream institutional investors,

in the longer term, the pros-pects for the market's development remain attractive, not least because of Korea's strong industrial base - the second largest in Asia after Japan. Already, the foreign investor base in the market has broadened from specialist regional

cial brake oo our activity", said Mr Daniel at Baring Secu-"We've made a substantial investment here. If they don't

ceot ceiling has put an artifi-

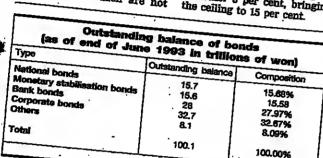
Traders on the Korean stock exchange: long-term prospects for developraise the limit, we'll be hurt-

ing, said Mr Smiley.

The planned introduction of including a surge of interest from US institutions earlier this year. However, the 10 per stock index futures at the beginning of 1996 is likely to attract foreign investors. A study is under way to devise the form of the contract, as well as a new index.

The current Korean stock-

covers too many small stocks to be viable as the basis for a futures contract. The new index is likely to include 100 to 300 companies, according to Mr Hong of the stock exchange. He added that the futures market would be introduced first, to be followed by options. Interest rate derivatives will be



### THE BOND MARKET

### Barriers to foreign investors still in place

THE liberalisation of Korea's Lim, assistant minister of the long time to reach the domes-

the way

tic boud market.
Under the blue-print for economic reform published in June, foreigners will be granted partial access to the bond market from next year. But they will not be able to invest directly in most domestic corporate bonds until after the current five-year plan. Even then, a limit is likely to be set on the total amount of

to foreigners. However, Korea's high interest rates mean foreign inves-tors are likely to be keen to take advantage of the ilmited access they will be granted, particularly if real interest rates in the US, Europe and

Japan remain meagre. Under the second stage of the current plan, foreigners will be allowed to invest directly in equity-linked bonds issued by small and mediumsized companies next year. In 1995 they will be able to buy domestic bonds through investment trust-type vehicles. Under the third stage, they will be authorised to invest

The big fear is that a large inflow of money into the Korean economy could fan Inflation

directly in bonds issued hy small and medium-sized companies in 1997. However, some analysts are cynical about how much foreign interest will be generated in smaller companies, which are unfamiliar and weaker credits. It is the large Korean companies, many of which are now seeking credit ratings from Moody's and Standard & Poor's, which are likely to be

nea

in strong demand. One reason the government been slow in opening the corporate hond market, says Buhmsoo Choi, a fellow of the Korea Development Institute, which advises the government, is that "we don't need a hig amount of foreign capital...Our savings ratio and investment rates are very high". Korean companies themselves are more interested in borrowing abroad, where rates are much lower, than in the development of the domestic market, where corporate rates are currently about

13 per cent. There are also those opposed to liberalisation of domestic interest rates - some compa-nies pay favourable regulated rates. However, the admission of foreign investors and the creation of a more liquid market, jucinding some longerdated bonds, would be likely eventually to reduce the rates. The government is held back

by macro-economic coocerns. There is a 10 per cent differential between domestic and foreign rates," says Mr Chot. The big fear is that a large inflow of money into the Korean economy could fan inflation, currently at 5 to 6 per cent. With inflation at this level, real interest rates, at about 7 per cent, are high and would therefore be extremely attractive to foreign investor.

"If we just opened up the market, it would cause a lot of disturbance," said Chang-Yull

ministry of finance. "The first job is to narrow the interest rate differential". He believes this will happen as domestic interest rates are liberalised. Moreover, if the world ecooomy picks up, interest rates elsewhere could start to edge up again.

Korea has a history of chronie inflation, fuelled by monetary expansion in the 1980s, when the government low-cost funds to parts of domestic industry. The fear of inflation is the main reason behind the government's so-called "step-by-step" approach. In fact, Mr Chot says the plan is to have raised the limit on foreign ownership of stocks to 25 per cent before opening the bond market further. market further.
Further ahead are plans to

develop the government bond market. We are thinking of developing long-term bonds," said Mr Lim. The Won35,000bn govern-

ment bond market is highly illiquid. Much of the paper was issued at below market rates and so is not traded. Most of the paper has a one-year maturity, with some three-year bonds and some illiquid 10-year paper. But the government plans to create a liquid yield curve, with bonds at five, seven and 10 years. "In order to issue more bonds, the government will have to respect market rates," said Mr Choi.

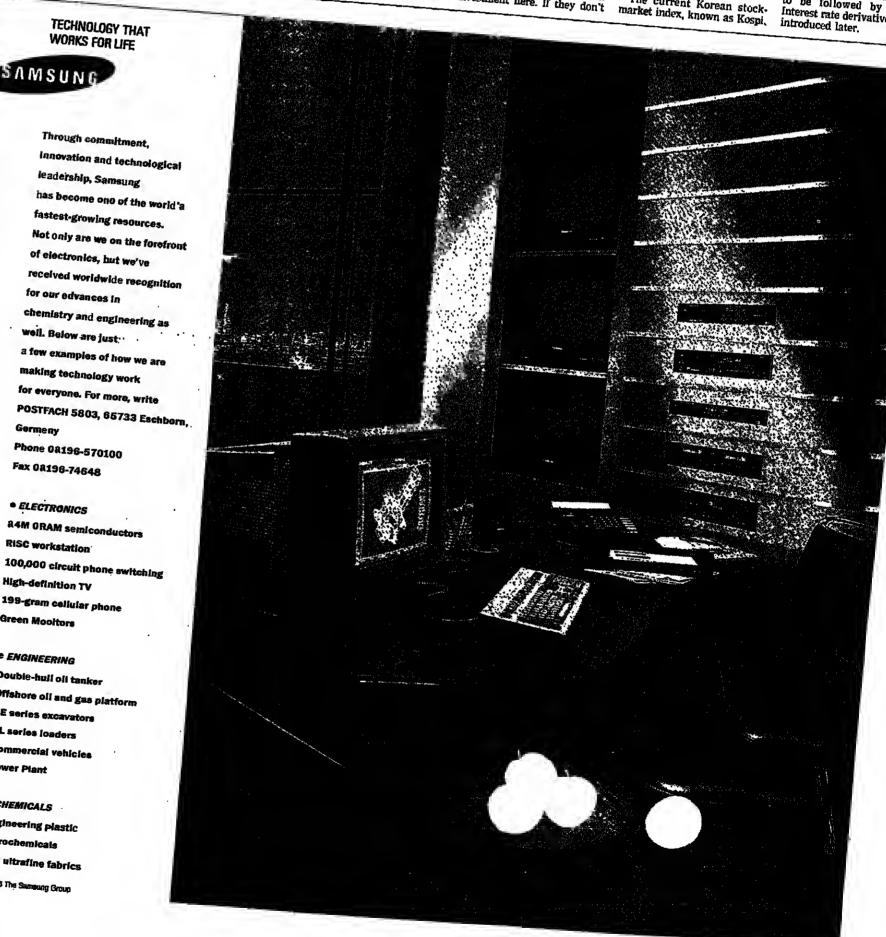
Korea already has an active domestic corporate bond mar-ket, but most of the bonds are issued with a three-year maturity. Here too, the plan is to develop e yield curve.

In spite of being held beck hy restrictions, the Korean debt market has grown rap-idly, with corporate bond issu-ance reaching Won11,155bn in 1002 from inst Won963hn in 1992, from just Won963bn in 1980. The proportion of deht (including government, municipal and corporate bouds) relative to gross national product has risen to nearly 20 per cent, compared with 6.9 per cent in 1980, according to the Securi-ties Supervisory Board.

As the amount of outstand-As me amount or outstanding listed bonds has grown (from Won2,500bn in 1980 to Won65,000hn in 1992), turnover in the secondary market has also increased, from Won2,400bn in 1980 Won45,800bn in 1992. While bonds are listed on the Korea Stock Exchange, most trading takes place in the over-the-counter market. This has been a progressive trend - OTC trading accounted for over 98 per cent of total trading volume in 1992 compared with only 46.3 per cent in 1987, according to Lucky Securities.

In spite of the growth of the market, it remains illiquid and bound by regulations. Never-theless, foreign investors hun-gry for yield, would jump at the chance to buy top Korean corporate bonds paying 13 per cent which, with relatively low inflation, would compen-sate them for any foreign exchange risk. But the government is loathe to open the market until the differential with other markets - the source of attraction for foreign investors - has been reduced.

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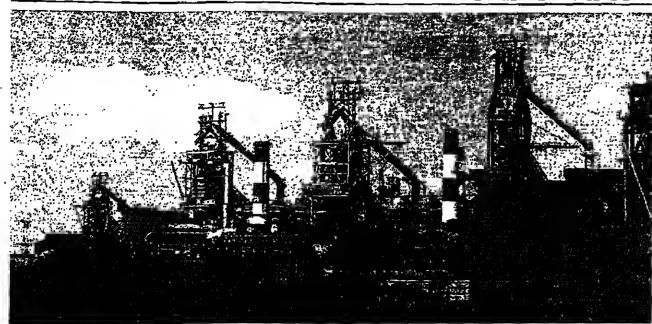
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Estima



Posco's steelworks: the company found taking advantage of the swep market reduced funding cost

Korean companies are limited when it comes to securing cash overseas

### Raising global profiles

MANY of Korea's largest companies are competing for business on a global basis, but their ability to raise funds in overseas markets is restricted.

Since domestic interest rates can be as much as 10 percentage points higher than rates in international markets, this puts them at a competitive dis-

It is no surprise, therefore, to find that Korean companies have taken full advantage of the gradual liberalisation of these restrictions and have worked hard to raise their profiles with foreign investors

"In our case, our capital expenses are so big that we have to secure funding from

overseas," said Jang Yeul Koo, general manager, international finance department at Samtic market is not sufficient to

meet our requirements." However, the Korean government continues to exercise strict control over bond issuor reduces the size of issues.

"Many companies are interested in raising money over-seas," said Chan Yull Lim, assistant minister at the Kor ean ministry of finance. Because of the large interes rate difference, if permitted "everyone will go abroad",

Usually we allow companies to raise money overseas when they will use that money to import from overseas," he

says.
The authorities are concerned that excessive overseas borrowing will affect the growth of money supply and cause the level of inflation to rise. For this reason, Korean companies are not permitted, for example, to refinance domestic debt in the interna-

However, the government has raised the limit on overseas borrowing from \$1.5bn-\$2bn for this year and the level is likely to be the same next year. Firms bave to gain approval for each offering and approval is based on the purpose of the financing. Reasons other than capital expenditure, preferably on equipment from abroad, are frowned upon.

"Korean companies would like to be able to be more opportunistic in the market." aid one banker.

In spite of restrictions, companies are sometimes able to take advantage of opportunities in the swap market to reduce funding costs. Last year, Pohang Iron and Steel (Posco), needed to borrow yen in order to repay some yen syndicated loans. It proved cheaner to issue debt in dollars and swap into ven. You Woon Kim, senior managing director of Posco, estimates that the swap saved the company \$14m.

Korean companies have approached the international market gradually. "Korean companies used to be financed by syndicated loans in the 1970s and 1980s," said Edward Kim, general manager, international finance at Korea Development Securities, a wholly owned subsidiary fo the Kor-

started issuing convertible bonds then as credit perception improved, they were able to issue straight debt," Mr Kim said. As well as offering lower interest rates, the international markets offer more scope for companies to issue longer term

Korean borrowers are reaching an increasingly broad range of investors. Having

'Korean companies would like to be able to be more opportunistic in the market'

started by issuing in the Euro bond market, some have now tapped both the US Yankee bond market and the Japanese Samurai bond market.

Some companies have moved into more esoteric markets. Samsung Electronics, example, is one of the first borrowers ever to set up a programme in the Hungarian Forints Commercial paper market which it will use to finance its plant there.

In order to reach a broader audience of international investors, an increasing number of Korean borrowers are seeking ratings from the leading international credit rating dard & Poor's. Ratings are considered more necessary for companies that want to issue straight bonds than for those issuing equity-linked bonds.

was rated A+ by Standard & Poor's in 1988, a number of wholly or partly government owned entities have achieved the same rating, including the Korean Development Bank (KDB), Korea Electric Power (Kepco) and Korea Telecom.

Since the Republic of Kores

Moody's does not rate the Republic, but the governmentguaranteed KDB and Export-Import Bank of Korea are rated Al by Moody's.

David Levey, head of sover eign ratings at Moody's said that the much lower level of debt that Korea has achieved nomic performance, in spite of some slowdown, had to be balanced against the uncertainty over potential reunification with North Korea.

So far, few industrial companies have gained ratings. Posco is rated A2 by Moody's and A+

Samsung Electronics is rated Bas2 by Moody's and A- by Standard & Poor's. However. more companies are likely to seek ratings in the future, although there is a tendency for companies to want ratings only if they will be in the sin-

gle-A category.
Companies have also made efforts to explain their credits directly to investors. Samsung Electronics, for example, has hosted regular roadshows to

coincide with new issues Posco, the world's third largest steel producer, was "well known in Asia but not in the west", according to Posco's Mr Kim. In its efforts to develop holds one-to-one meetings with investors rather than road

Traders in London say that demand for Korean companies issues is strong, providing issues are correctly priced investors generally require slight premium over similar

European or US credits. Samsung has been active in wide range of markets and has issued commercial paper as well as long-term debt. So far this year, the company has tapped the US and D-mark CP markets. It is also considering setting up a sterling CP programme, if its sterling requirement proves sufficiently large.

Traders in London say that demand for Korean companies' issues is strong, providing they are correctly priced

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The company has a colour tele vision factory in Billingham.

"In the future we will need to diversify our exposure. Our overseas activities are increas ing and we need to meet those ds," said Mr Koo, adding that dollars, D-marks and sterling were of particular interest.

Posco, too, has made a "stra tegic decision to diversify funding sources and investor groups" so that it can continue to finance new projects world wide, says Mr Kim.

Korean companies have also tary receipts. "If we offer equity in the Korean market, it has be at a discounted price. In the foreign markets we can issue at a prophum," said Mr Koo of Samsung.

Tracy Corngan

#### FOREIGN EXCHANGE

### Committed to relaxing the rules of the game

foreign-exchange regulations on October 1 will represent one of first steps taken by the new administration of President Kim Young-sam towards financial liberalisation.

The deregulation measures are seen as a clear indication that the government is committed to introducing a free floating foreign exchange rate system in 1997 by preparing the establishment of a sophisticated foreign exchange mar-

The recent easing of the strict rules on foreign exchange transactions is also closely connected to the opening up of capital markets to ners. The entry of foreign investors into the Korean stock market last year, for example, has increased the volume of foreign exchange trades as the inflow of capital from abroad grows.

Domestic companies and of the rules. Companies have complained of difficulty in hedging against foreign close government supervision of foreign exchange deals.

Korean banks - seeking new sources of revenue in an increasingly competitive financial sector - see the prospect of growing earnings from hedging and speculation in the foreign exchange market.

The government has heavily policed the foreign exchange currency speculation would canse volatility in the exchange rate and disrupt the country's export-dependent conomy.
Under the guidelines, com-

panies will no longer be required to submit original supporting trade documents to banks for most forward foreign exchange transactions in order to prove they are hedging currency risks rather than speculating. Documentation will be exempt for all forward contracts between currencies other than the Korean won and he limited to deals of above \$3m involving the won

and other foreign currencles.

Companies will also he allowed to settle trade transac tions of \$100,000 or less in

credits instead of foreign cur-

The abolition of documentation for most forward foreignexchange contracts, the most that hindered corporate access to the foreign-exchange mar-ket and hampered their defence against currency

The central bank estimated that Korean companies suf-fered Won350bn in foreign-exchange losses last year. Losses

The foreign exchange market in Korea has grown sharply in the past few years

are expected to more than donble this year primarily due to the Korean won's 20 per cent fall against the Japan

"These measures will not bring about drastic changes to the foreign exchange market in the short-term," says Kim Young-min of the Lucky-Goldstar Economic Research Insti-

One reason is that the government retains effective control over the won's value against other currencies. Although the government has widened the daily interbank foreign exchange rate trading ban to 1 per cent from 0.8 per cent, Mr Kins says: "We know from past experience that an expansion of the allowed range of fluctuation does not immediately cause a proportionate expansion of the actual range of daily fluctuations."

This is because the government dominates the foreign exchange market through the central bank.

Nonatheless, the foreign exchange market in Korea has grown sharply in the past few years, although it remains small compared to those existlised countries.

The average daily trading volume of foreign-exchange transactions has increased from \$230m in 1990 to \$1.2bu this year, with spot transactions accounting for \$550m and forward transactions for

Analysts believe that the foreign exchange market will grow significantly once the tional financial liberalisation

Demand on the foreign exchange market will increase as the government raises the foreign ownership ceiling on domestic stocks and opens the bond market to foreigners by 1995 and the deregulation of overseas direct investments by Korean companies will bolster

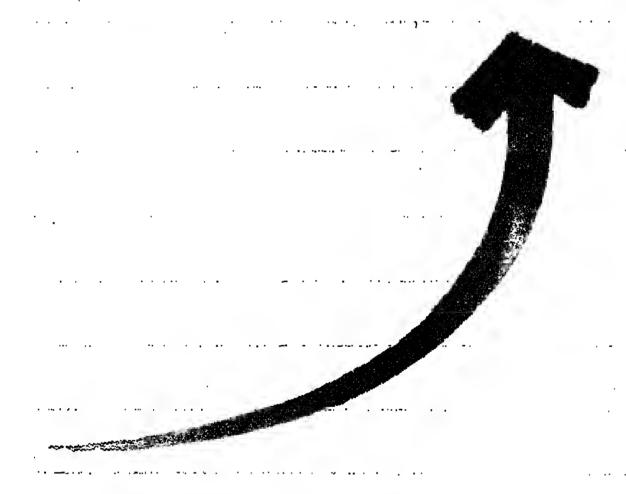
The government has also announced that the exchange rate trading ban will be widened, forward contract documentation requirements will be further relaxed and the ceiling on the won-denominated settlement of trade transactions will be raised within two

for internationalisation of the Korean won and its widespread use in the settlen risible and invisible trade deals after 1997.

Although the government has emphasised that the principle of real demand should guide the foreign exchange market, it is considered inevitable that speculation and the increased flow of capital into the country will exert a stronger influence on the exchange rate. This will increase uncer tainties and risks in the foreign exchange market. although it will give Korean companies greater autonomy in managing their forex port-

The government's willingess to accept greater fluctua tions in the exchange rate will be a test of its determination to internationalise its capital markets and open up the econPATES AND I

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MILDLY disappointing October consumer price statistics from the US abruptly wiped out early share gains on the London stock market yesterday, although the final picture was better than on some other European bourses. The FT-SE 100 index lost the 3,100 benchmark under the influence of a sell-off in stock index futures.

but was railying in the closing minutes of the session.

The final reading put the Footsie at 3,098.5 for a gain of 2.5 on the day. Equities had opened uncertainly following the faltering trend at the overnight close of the US bond market, but then turned smartly higher to reach a midsession peak of 3,115 on the Footsie, 19 points ahead.

The reaction to the announcement that the US consumer price index had contradicted analysts by gaining 0.4 per cent in October was slow at first. Although nervous ahead of the outcome of the day's auction of 10 year US Federal bonds increased, London was heartened by relatively bullish comments from Washington, where Mr Robert Reich, the US Labour Secretary, said that inflation was

"not starting to accelerate." But in its currently nervous state, the UK equity market was taking no risks and early

gains in shares quickly began to evaporate in fairly active trading. With Wall Street also in cautious mode, and the Dow Jones Industrial Average turning off slightly in UK hours, the Footsis was barely able to hold in positive territory in late afternoon.

However, traders stressed that the stock market was not under serious strain. Much of the pressurs came from

marketmaking firms which were, in turn, responding to rapid changes in the futures market. The big institutions appeared to have resumed their policy of waiting for the Budget speech due at the end of the month from Mr Kenneth Clarke, the British chancellor

The FT-SE Mid 250 Index remained uncertain, slipping down by 0.6 for a closing read-

TRADING VOLUME IN MAJOR STOCKS

ing of 3,440.4. Activity focused around the blue chip stocks. which are more closely futuresrelated than the second liners. Seaq volume remained good at 778.1m shares compared with 772.2m oo Tuesday when retail business was worth £1.5bn, at the top end of the daily aver-

ages for the year.
UK strategists pointed out that the more extreme reaction on continental European mar-

house of Smith New Court said: "Growth is solid but I am

not sure It supports a p/e of 17

times". Hoare Govett remains

bnyer arguing that Amer-

sham is an "outstanding

Suggestions that one of the

market's leading agency bro-

kers had attempted and failed

in an attempt to place a large

block of Burmab Castrol

shares in the market late on

Tuesday, triggered a sharp

mark down of Burmah Castrol

shares at the outset of trading.

They failed to stage any recov-

ery thereafter, closing a net 14

off at 753p on unremarkable turnover of 536,000 shares.

of around £20m of stock it's not

surprising the shares bave

come under pressure," said one oils specialist. Burmah shares

have come under downside

pressure since Nomura, the

stockbroker, published a bear-

Mirror group Newspapers

shrugged off concern over its

publication of photos of Prin-

cess Diana and the shares gained 3 to 154p. It was announced that Mr David

Montgomery, MGN's chief executive, had bought an extra

25,000 shares in his company, taking his holding to 100,333.

The company said be paid

ish note on the shares last

With a supposed overhang

growth stock and still inexpen-

kets reflected both trading news from leading companies and also the prospect of today's Armistice Day closure of some trading ceotres.

Falling share prices in the second half of the session provided the backcloth for a raft of unsubstactlated rumours, chiefly focused around oewsagency reports of military clashes oo the Kuwait-Iraq border. The stock market closed on a calm note although some traders claimed to have scented a weak opening this morning.

Traosatlaotic concerns showed themselves in a weak pharmaceutical sector and oil shares also closed a few pence easier. But the broad range of UK store and consumer stocks, still buoyed by optimism for a base rate cut at Budget time. performed well even where share prices ended below the day's best. The shock of the day came in Euro Disoey shares, which traded throughout the session in London but fell heavily in the wake of the dismal trading statement.

Accoun	rt Decling	Dates
First Dealings: Nov 1	Nov 15	Nov 29
Option Decisrati New 11	Nov 25	Doc 9
New 12	Nov 2h	Dec 10
Nov 22	Dec 6	Dec 20

### under duress, dealers reporting no let-up in the downward buy-

and Tesco 5 to 179p. Stores group Allders gained 14 oo its debut, closing at 184p.

saw the shares jump 10 to 899p. The airport operator reported a 7.9 per cent jump from its three Loodon airports for October well ahead of the forecast industry rate. This was said to have some effect on the rise in Owners Abroad, up 4 at 82p. However, the stock continued to be plagued yesterday with rumours of a rights issue and

M Other statistics, Page 18

BRITISH FUNDS

tific equipment group, slipped 11 to 927p in spite of a seemingly dramatic profit rise. Headline half-year profits ing pressure. Argyll Groop lost 6 to 251p, Kwik Save 8 to 599p increased by 71 per cent but were skewed by a £5.6m cur-rency gain. Mr Paul Wood-

Traffic figures from BAA

problems at its airline division. MARKET REPORTERS: Christopher Price, Peter John,

3106.7 3439.3 1547.8 3106.0 3442.4 1547.1 3067.4 3439.2 1543.5 3098.8 3440.3 1544.1 3435.9 1541.2 FT-SG-A 350 1539.4 1541.2 Time of FT-SE 100 bight 1,00 pm low; 8,39 am FT-SE Actuaries 350 Industry Baskets Cont 1946.1 1087.0 1483.1 2036.1 1946.1 1077.2 1480.5 2029.2 1943.7 1070.0 1481.9 1947.1 1077.8 1946.1 1081.0 1943.7 1073.1 1935.8 1082.6 1450.2

FT-SE MID 250

3440.4 +0.6

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3441.3 1543.0

1760.78

1196.56

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+0.3 1325.12

1525.75 2818.04

1638.04

1192.95

1669.83

1529.31

3092.4

3099.4 3434.4

LONDON SHARE SERVICE

BRITISH FUNDS - Cont.

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Fracting 92 pc 93-4 ...
Convention 88 pc 2004 ...
Trace 64 pc 2004 ...
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Trace 12 2pc 2003-5 ...
Trace 200511 ...
Rec 2006-611 ...
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Trace 11 4pc 2001-7 ...
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2197.52 2193.37 2205.91 1641.77

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-0.7 1534.27 1537.73 1548.92 1335.69 +0.6 1607.88 1590.22 1590.17 1331.22

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+1.4 2500.91 2448.43 2361.34 2333.99

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452.25

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740.80 458.00 606.95 263.00

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2962.17 2883.18

FT-A ALL-SHARE

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21.86 35.74 33.26

FT-SE 100

3098.5 +2.5

FT-SE 100

FT-SE-A 350

FT-A ALL-SHARE

FT-SE MAD 250 FT-SE MAD 250 at low Trust

Residing Materials (2) Contracting, Construct Beartasts (15)

Motors(23) Other Industrials(19)

21 CONSUMER GROUP(240)

Strates and Disblury 39

Food Manufacturing(24) Food Retesting(17)

Packaging and Paper/26

34 Stores(29) 35 lext/es/20)

40 OTHER GROUPS(143)

43 Complomerates 111

45 Electrosystal)

46 Telephone Kets 47 Water(13)

51 DI & G25(17) 59 "500" SKARE NOEX619

41 Burness Services(27)

49 HOUSTRAL GROUP/SAZO

61 RWANCAL GROUPIST

Insurance (Composital(7)

Insurance Brokers(10) Meschart Barks(6)

62 Banker(5) 65 Restrance (Life)(6)

89 Property(30) 70 Other Francis(23)

69 FT-A ALL-SHARE(817)

FT-SE MM 200

### **NatPower** sees heavy selling

THE MARKET registered its disappointment with interim results from National Power by marking the shares sharply lower in the face of some aggressive selling pressure.

NatPower's half-time profits came in at £250m, including an exceptional gain of £45m, but in "clean" form were at the bottom of market expectations which were mostly in the region of £210m to £220m.

Dealers said the profits were below consensus and therefore always liable to trigger selling pressure. They added that the market was also upset by a slightly disappointing dividend payment. "The market was going for a dividend increase of up to 18 per cent and got 14 per cent, which means the shares go down," said one trader.

Energy specialists were not too concerned at what was viewed as a below par earnings and dividend performance and said the market was more worried as to whether the regulatory authorities would refer the generators to the Monopolies and Mergers Commission.

The stock dropped to 397p immediately the figures were published, but quickly stabilised and eventually stood a net 9% lower at 402%p. Turnover of 14m was easily the highest in a single trading session for more than two years.

#### Unigate brightens

Half-year profits from Uni-gate provided the only bright spot in a food manufacturing sector undermined by a broker's gloomy forecasts.

Smith New Court predicted a further deterioration in trading conditions in reiterating its

#### **NEW HIGHS AND** LOWS FOR 1993

NEW NIGHS (NT).

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CANADANS (2) Bank of Nove Scole, Can.
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(4) Faming Euro, Redding, Commits Melayals
(6) Faming Euro, Redding, Commits Melayals
(6) Faming Euro, Redding, Commits Melayals
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of Lordon, NTL & MTL FORSEING (1) Colon
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(A), MESC (2) Barto, Homito, Cosome & Lutin,
(A), MESC (2) Barto, Homito, Cosome & Lutin,
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BETTEN TRUBES (3) American, Chiless (1)
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(1) Coconics, Stends (1) Gran And AERO
(1) Coconics, Stends (2) And AERO
(1)

#### gate's figures were at the top end of market forecasts, although there were some oneoff benefits and specialists said underlying growth levels reflected the increasingly diffi-cult environment. The shares, however, responded positively, advancing 6 to 37lp. Analysis left their full-year forecasts largely unchanged. In its latest note, Smith attri-

"underweight" stance. Uni-

butes its negative stance to pricing pressures from powerful supermarket chains and the disappearance of food price inflation. It said its earnings growth forecast for the sector of around 8 per cent was likely to be dramatically reduced if supermarket price discounting became a permanent fixture. On Tuesday, the broker's food retail research team slashed it sector forecast to virtually nil for the 1994-95 period.

#### **Euro Disney shock**

.The announcement of colossal losses at Euro Disney triggered a wave of selling in both the UK and French markets. Such was the rush to offload the shares that they were momentarily suspended in Paris. In London, share prices on trading screens were marked indicative only where marketmakers are not obliged to trade at displayed prices.

At their worst the shares were off more than £1, although they later improved to finish at 436p, down 72 on the day.

The excitement followed the revelation of around £620m losses and the prospect of a large restructuring. Euro Dis-ney has begun discussions with Walt Disney, its parent company, over a financial rescue package.

However, Mr Nigel Reed at Paribas, an arch bear of the stock, believes the shares should still be sold, with shareholders facing heavy dilution given the probability of a rights issue. "We believe that after the write-offs today, the net asset value per share is now so low that shareholders are not in a strong position in any sventual restructuring,"

Hambros, the merchant bank, suffered the same fate as S.G. Warburg, the sector's leading stock, as the bank's shares tumbled in the face of a steep rise in profits and a good increase in the interim dividend. "The figures were below the very best expectations and that is why the shares are

down. said one analyst. Market forecasts for Hambros' profits had topped the £45m mark and dividend expectations had ranged up to around the 4.6p level. In the event, the bank produced profits of £41.1m and a dividend

of 4.5p. At the close, Hambros shares were 24 lower at 344p on good turnover of 1.8m. S.G. Warburg, the UK's premier mer-chant bank, and which produced scintillating interim figures on Tuesday, continued to run into bouts of profit-taking, ending 9 cheaper at 848p.

# 1,500 ~

FT-A All-Share Index

Equity Shares Traded

Dealers said Warburg Securi-ties was largely responsible for big gains in the banks sector and a bullish note on the sector was thought to be imminent, Barclays was the best performer in the leaders, closing 11 higher at 573p on good turnover of 5.4m shares, while National Westminster added 8

Alliance, where Morgan Stan-

British Steel improved 1% to 123% with turnover approaching 15m after a big bullish trade, said to have been exe-cuted by S.G. Warburg, in traded options. Meanwhile, the Bank of New York announced reached 14.84 per cent.

Shares in Amersham Inter-

at 553p on 5.8m.
Royal Insurance was the outstanding composite insurer, the shares advancing 9 to 314p ahead of today's third quarter numbers which are forecast to show profits in excess of £115m against a loss of £83m during the same period last year. Commercial Union, aggressively bought by Hoare Covett, ram up 12 to 612p while Sun

ICI fell 12 to 698p after weak-ness in New York on Tuesday night. ICI's ADR shares had fallen \$% to \$41% on Wall

national, the health and scien-

Ordinary share Ord, chr. yield Earning yiel % tull PAE ratio net PAE ratio oil Earli Mines

SEA Bergales Equity Tempore(Exp)† Equity Bargales† Shares traded (self) † Excluding Issu-meries

FINANCIAL TIMES EQUITY INDICES

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London report and latest Share loder. Tel. 0891 123001. Calle charged at 360/mission cheap rate. 45p at all other tones.

2334.4 2334.9 2343.1 2351.7 2353.8 258.0 2347.5 2340.7 2341.4 2358.0 2323.9

2375.0 3.29 4.54 27.53 25.52 231.0

33,579 1739.0 36,873 623.8

29,785 1728.5 33,527 632.5

ley was said to have been a substantial buyer of stock, rose 6 to 4730.

that the bolding of British Steel shares in the US had

There was another burst by Forte, dealers attributing the rise to a buyer of around 2m shares leaving the market short, the shares advanced 5 to 229p. Granada Group was lifted by News Corp's figures on BSkyB, the shares climbing Among food stocks, Cadbury-

Schweppes was helped by a buy note from Smith New Court, one of the broker's few recommendations in a frieodless sector. The shares added 81/2 to 4651/2p.

Northern Foods were said to have suffered a downgrade at the hands of Hoare Govett. The shares came off 6 to 222p. Else-where, Unilever gained 3 to 1130p ahead of results tomor-

Food retailers were again

\* High \* Low

28,474 1107.4 32,349 465.0

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# | Sharker | Lives up to Five Fears | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1358 1125 1165, 9.73 1061, 8.77 1264 8.77 1124 8.87 464, 6.06 1124 6.57 106 7.39 1060 8.47 974 6.56 1061 8.47 974 6.56 1065, 8.25 4 4444 4 4 1



#### CROSSWORD

No.8,303 Set by DINMUTZ

ACROSS Member, taking holiday, has a ball (3-5)
 Least fragment of clothing 1 Deplore filmsy books (6) 2 So! pigs flying? Just rumour! can produce pain (5)
9 Mission to hold house,
together with outbuildings
and land (8)
10 Colour of gold found by

11 American chap next door 12 Train from Rugby, possihly? (6)
14 Recognise one's rights in

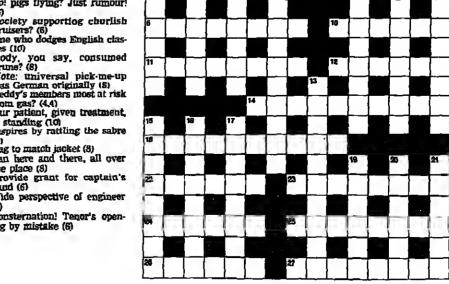
such a mean hudget? (10) 18 Rhode Island Red, say? (10) 22 The man out in the country 23 Match association? (8) 24 Brick in vertical dive (6)

25 No townspersoo has a beer after 6.50 .... (8) ... for the rest of the day 27 Fair Isle links with harbour

hruisers? (6) 4 One who dodges English classes (10)
6 Body, you say, consumed prune? (8)
7 Note: universal pick·me-up was German originally (5)
8 Neddy's members most at risk from gas? (4.4)
13 Our patient, given treatment, is standing (10)
13 Inspires by rattling the sabre (8)

(8)
16 Bag to match jacket (8)
17 Fan here and there, all over the place (8)
19 Provide grant for captain's band (6) 20 Wide perspective of engineer (6) Consternation! Tenor's open-

ing by mistake (6)



(8)

**Business Executives** in Japan read

"Nikkei"

CELLBATE ASSAUL
O E A E M H O I
ROVER REABONING
N ) G M Q O É A
EMANATION TRUBY
R T I T U I
CHANGE MANAGER
S A B G U E
CONTAIN EEGGAR
A S ) O A T B
BIBLE CABALLERO
J A B J T D N T
ORCHESTRA EXALT
U D N V ) R L
SANITY OLAYMATE

Solution 8,302

#### EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures broke through a significant barrier yesterday, but the effort proved too great and the December Footsie contract snded below the day's best,

writes Peter John. A desultory performance high turnover, with more than 14,000 contracts transacted in the lot for December expiry.

That issue began the day very weakly and hit parity with the cash market at one stage, touching 3,081 at its lowest ebb. This compares with an estimated fair value premium of about 10 points.

In the afternoon it raced through 3,105, a level chal-lenged earlier in the week. Once above that it moved ahead to 3,130, but the buying

proved overdone and it settled back to close just above 3,100. Traders said that in spite of heavy selling last week as US money was repatriated on expectations of rising inflation there, open interest remained high at around 60,000 contracts in December. It was suggested that UK

by US investment funds.

In traded options, volume was up to just under 40,000 contracts with British Steel topping the list of equity options. Steel's turnover of 3,181 lots was however the result of one deal to buy 3,000 out-of-the-money, January 140 calls at 3p each. Dealers said that, at expiry, the sbares arbitrageurs bought lots sold must be above 143p for the trade to be profitable.

JOTTER PAD

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FINANCIAL TIMES THURSDAY NOVEMBER 11 1993 INVESTMENT TRUSTS - Cont. LONDON SHARE SERVICE + or 1993 - high low -- 179 10 +1½ 590½ £18 +16 576 26 +3 527½ £57½ -- 68 18 Price 89 \$59<sup>1</sup>4 540 \$27<sup>1</sup>4 65 177 539 1000 33 360 33 230 663 201 318.7 1,174 13.6 85.8 50.0 37.2 65.0 36.8 214d 212(1 350 776 850 33 85 £105a 214 +2 2141, - 375 - 1818 - 950 +1 254 - 96 18 71 18 33 34 113 60 64 7.85 3.57 3.96 79.7 +1, 2184, 2107, 218
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Where stocks are denominated in currencies other than storling, this is accused after the name.

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FINANCIAL FUTURES AND OPTIONS

### Dollar features in subdued da

Activity in the foreign exchange market was rela-tively subdued as traders squared positions ahead of Marian, senior market analyst today's holidays in many at Landesbank Hessen-Thurinimportant markets, writes Conner Middelmann.

However, the US dollar had in late London trading. It closed at DM1.6920, down from DM1.6950 the previous data of the pr ened significantly against the Japanese yen and the D-Mark fell as low as DMI.6870 in London after hours trading. Against the Japanese unit, it ended at Y107.20, down from Y108.25 at Tuesday's close.

Throughout the morning. most currencies languished in narrow ranges as traders awaited the release of the October US consumer price index. Following the publication of much lower-than-expected producer prices on Tuesday, traders were looking to the latest CPI data for a clarification of the inflation outlook in the US. In the event, the 0.4 per cent month-on-month rise in the overall inflation rate was hroadly in line with market forecasts, although some who had hoped for a lower number after Tuesday's weak PPI data

were disappointed.
"The CPI numbers indicate

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Morgan Guaranty changes, average

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CARROLL	353,630 - 357,210	
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mangoni	53.45 - 53,55	
dataysia		
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and A	55150 - 5.5160	1,7515 1,7525
intracore _		1.5930 1.5930
A ICE		3.3630 3.3645
A GO	8 5230 · 6.5380	4.4375 - 4.4475
ahwan	39.50 - 39.55	26.85 - 26.90
AE	5.3990 - 5.4000	18725 - 18735

gen in Frankfurt. He expects the dollar to continue trading in a DM1.68another volatile day and weak. DM1.71 range near-term and the dollar-D-Mark rate to conmark bund currently yields 5.88 per cent, some 12 basis points over its US counterpart, and as that gap narrows, the dollar is likely to appreciate further against the D-Mark, Marian says. However, he warns that the next leg of the rally could be preceded by a correction back to around

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DOLL  Tov 10  Lov 10	1,2010 - 1,2	1.2065 1.4060 1.4060 1.4060 1.4060 1.4060 1.4060 1.5060 1.	2.1975 - 2 1.3045 - 1 1.4755 - 1 1.4700 - 1 1.4700 - 1 1.4700 - 1 1.4700 - 1 1.4701 - 1 1.5015 - 1	2075 added 2016 added	013-4-00 A0 02-00 03-000	GAIN 13 COM 13 C	1.56 C C C C C C C C C C C C C C C C C C C	THE D  Tree    148-14    1	50ds 55pm	144 2 Month
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**EXCHANGE CROSS RATES** 

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Nov.10 E \$ OM Yes FR. S.Fr. N.Fl. Lira CS 8 Fr. Pta.

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1	Marian say warns that t	he next le	g of the	to the D-b	lark, com	to BFr21.42 pared with	Closs H	of Low Prev. 09 113-27 114-08	\$100,000
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•	DML67. The D-Ma			closed today		ational bol-	Privious day's open int	OVT. 40ND *	Dec
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	Belgum 53.10 Dettark 9.6390 heard 1.0475 Germany 24830	1,9330 1,92 2,8125 2,80 53,65 53 9,9750 9,96 1,0540 1,05 2,5000 2,49	60 - 1.9270 + 25 - 2.8177 + 45 - 51.55 + 50.50 + 9.8750 + 1.0510	0.27-0.23cpm   par-14ctis   12-16ctis   12	95 068 ( 953 : 1 114 : 30 101 : 53	1.83mm 2.78 1.57pm 1.30 1.39cm -2.58 7.45cm -2.58 7.45cm -2.66 1.21ds -0.70	A Estimated volume 0 (0)	0 (5)	7:425 1:425 1:450 1:475 1:500 1:525 1:550
	Bergum 53.10 Dectark 9.8390 Inches 1.0475 Germany 2.4830 Portugal 254.30 Scolin 198.90	1,9330 1,920 2,8125 2,800 53,65 53, 9,9750 9,965 1,0540 1,055 2,5000 2,490 258,75 255, 200,80 200	60 - 1.9270 25 - 2.8175 45 - 52.54 50 - 9.4750 50 - 1.0510 75 - 256.75	0.27-0.275±m par-1,6255 12-1,6055 2-3,07555 0.04-0,07555 55-1,53,055 55-1,53,055 66-87,255 66-87,255	155 068-0 155 1 114 3 101 57- 161 0.16-1 179 291-141 195-	1.83mm 2.28 1.57mm 1.30 1.306s -0.53 1.306s -0.53 1.306s -0.60 1.216s -0.60 1.216s -0.80 4072s -0.80 4072s -4.95	A Estimated volume 0 (0) Previous day's open inc. These secons strenged 0 (0) Cone 1100 (0) Cone 94.44 (4) 50 (0)	h Low Prev.	7.425 1.425 1.475 1.500 1.525 1.550 1.575 Previous 6
	Bedievands   2-825	1,9339 1,920 2,8125 2,800 53,65 53, 9,9750 9,960 1,0540 1,055 2,5000 2,490 256,75 255, 200,80 200 2,437,60 2432,60 10,8950 10,895 8,7150 4,700	60 - 1.9270 25 - 2.8175 25 - 5.155 50 - 9.9750 00 - 1.0510 50 - 2.500 75 - 2.56 75 50 - 200 00 00 - 2.433.00 50 - 10.850	0.27-0.27-cm car-1-6-25 12-1-6-25 12-1-6-25 -3-1-6-25 -3-1-6-25 -5-1-6-25 -5-1-6-25 -1-1-6-25 -1-1-6-25	956   0684 955   0684 114   35 161   55 165   0.164 170   50 152   291 143   195 143   195 156   156	1.83mm 2.28 1.57pm 1.30 1-365 -0.53 7-365 -2.58 7-365 -2.66 1.2165 -0.70 1.2165 -0.80 40705 -5.45 27.565 -4.09 1.266 -3.45	A Estimated volunts 0 (0) Previous day's open int. These MONTH STEPLES STOLLOW points of 100% Date 94.45 94.5 Mar 94.69 94.7 Juni 94.72 94.7	h Low Prev. 1 94,45 94 49 1 94,65 94,59 8 94,71 94,75	1.425 1.425 1.475 1.500 1.525 1.550 1.575 Previous 6
	Hemeranch   1-825   Befgaro   53 10   Derbark   9 8390   Irenat   104-73   Germany   24530   Portugal   251 30   Scola   19 90   Isly   2417 60   Service   11,9730   Islent   157 86   Islent	1,9339	60 - 1.9270 25 - 2.8177 45 - 51.55 50 - 9.4750 50 - 2.5600 75 - 256.75 50 - 200.00 50 - 213.00 50 - 10.850 50 - 12.1450 50 - 12.1450 57 - 158.75	0.27-0.275-cm car lactic 12-16-051 13-16-051 13-16-051 13-16-051 66-81-051 66-81-051 66-81-051 11-16-18-0	155   0684 153   14   3 161   57 163   0.64 163   291 164   195 165   151 165   1	1.53pm 2.28 1.57pm 1.30 1.76s -0.53 1.26s -0.53 7.76s -2.68 7.76s -2.68 407cs -6.45 275cs -4.69 1.26s -3.45 1.26s -3.45 1.26s -1.00 5.46s	A Estimated volume 0 (0) Previous day's open int.  Times Month STEPLES CS00,000 points of 100% Cose High CS00,000 points of 100% Mar 94.68 94.7 Junt 94.72 94.7 Sep 94.83 94.6 Date 94.51 94.5 Sep 94.83 94.6 Est. Vol. date, fiest, not st	h Low Prev. 1 94.45 94.93 1 94.65 94.99 8 94.71 94.75 9 94.63 94.67 7 94.51 94.56	1.425 1.425 1.450 1.475 1.500 1.525 1.550 1.575 Previous d
	hemeranda   1-825	1.9330	60 - 1.9270 25 - 2.5175 25 - 2.5175 25 - 5.155 50 - 94.750 00 - 1.0510 50 - 2.500 75 - 2.50 75 50 - 2.00 80 50 - 2.00 80 50 - 2.00 80 50 - 2.00 80 50 - 2.00 80 50 - 2.1450 50 - 1.21450 50 - 1.5675	0.27-0.275-m particular 12-16-035 -3-3-07-03 -3-3-07-03 -3-16	55: 0584 1314: 31 1011: 55: 1011: 55: 1011: 15: 1011: 15: 10	1.53pm 2.28 1.57pm 1.30 1.30ss -0.53 1.30ss -0.53 1.3ds -0.70 1.3ds -0.70 1.3ds -0.80 407cb -6.45 1.5cs -4.09 1.2ds -1.09 1.3ds -1.09 1.3ds -1.09 1.3ds -1.09	A Estimated volume 0 (0) Previous day's open ing. These Month Streums 5500,000 points of 100% Dac 94.46 94.5 Mar 94.68 94.7 Jun 94.72 94.7 Dac 94.53 94.6 Dac 94.51 94.5 Fest Vol. (nc. figs. not signature) and signature of the previous day's open into the previous day and the previous day and the previous day are the p	h Low Prev. I 94.45 94.49 I 94.65 94.69 8 94.71 94.75 9 94.63 94.67 9 94.51 94.56 bownt 28240 (28069) 375553 (176088)	Price 1.425 1.450 1.475 1.500 1.525 1.550 1.575 Previous of Parties 7 to 10 Y
	1.7625     Seguena   1.7625     Seguena   1.510     Seguena   1.510     Seguena   1.5475     Seguena   1.745     Segu	93700   1920   2400   24125	60 - 19270 52 - 28175 45 - 52.55 50 - 98750 50 - 2500 50 - 2500 50 - 2500 50 - 200 50 - 200 50 - 200 50 - 213.00 50 - 243.00 50 - 2143.00 50 - 1243.00 50 - 1245.00 50 -	0.27 0.27 cm participa 1.2 16.00 s 1.3 rests 0.04-0 07 cms 1.4 rests 6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-	955   0554 114   10 101   57 103   0.16 104   10 105   10 10	1.53mm 2.78 1.30 1.55mm 1.30 1.55mm 1.30 1.55mm 1.30 1.55mm 1.30 1.55mm 1.30 1.35mm 1.	A Estimated volume 0 (0) Previous day's open ing. Times Month Streepin CS00,000 points of 100% Close Hop Date 94.68 94.7 Junt 94.68 94.7 Sep 94.63 94.6 Dec 94.51 94.5 Est. Vol. (Inc. figs. not streepin ind. These Month Estimator). These Month Estimator). These Month Estimator). Close Hay	h Low Prev. I 94.45 94 49 I 94.65 94.69 8 94.71 94.75 9 94.63 94.67 9 94.63 94.67 9 94.51 94.56 bound 28240 (28069) 375553 (1776885)	7.425 1.425 1.450 1.475 1.500 1.575 1.550 1.575 Previous d PARIS 7 to 10 Y  Occember March June
	1.7625	1,9300   1,930	60 - 19270 50 - 19270 51 - 52.55 52.517 53 - 52.55 50 - 19570 50 - 19570 50 - 256 75 50 - 256 75 50 - 200 50 - 243.00 50 - 243.00 50 - 124.90 50 - 124	0.27 - 0.73 - 0.00 - 0.	955 : 0684 114 : 53 161 : 53 165 : 0.164 167 : 295 167 : 195 167 : 195 167 : 195 167 : 195 168 : 195 169 : 195 160 : 195	1.53ma 2.76 1.57mm 1.30 1.57mm 1.32 1.57mm 1.34 1.57mm	A Estimated volunts 0 (0) Previous day's open ing. These Month STEPLES ESSU,000 points of 100% Close High Part of 4.69 94.7 Sep 94.63 94.6 Junt 94.69 94.7 Sep 94.63 94.6 Junt 94.72 94.7 Sep 94.63 94.6 Junt 94.71 94.7 Sep 94.63 94.6 Junt 94.71 94.7 Sep 94.63 94.6 Junt 96.41 96.4 Jun 96.12 96.1 Junt 96.12 96.1 Junt 96.12 96.1	h Low Prev. 1 94.45 94.45 94.55 94.59 94.63 94.67 94.59 94.63 94.67 94.55 95.56 95.56 95.56 95.56 95.56 95.48 96.48 96.51 8 98.48 96.48 96.48 96.48 96.48	PACE 1.450 1.475 1.500 1.575 1.550 1.575 Previous d PARIS 7 to 10 Y Occomber March Lura Estimated THREE-MO
	17025   1702	1.9300   1992   224725   25472	60 1 9270 50 1 9270 51 2517 55 2517 55 2517 55 2567 50 2 9375 60 2 9375 60 2 9375 60 2 9375 60 2 9375 60 2 9375 60 2 9375 60 2 9376 60 2	027-027-027-027-027-027-027-027-027-027-	55: 0584  114 55: 0464  105: 55: 0464  106: 55: 0464  107: 1464  107: 1464  108: 1464  1	1.53mm 2.78 1.57mm 1.30 1.57mm 1.30 1.57mm 1.30 1.30 1.30 1.30 1.30 1.30 1.30 1.30	A Estimated volume 0 (0) Previous day's open int. There's MONTH STEPLING CSULDED points of 100% Date 94.45 94.57 Juni 94.72 94.7 Juni 94.72 94.7 Juni 94.72 94.5 Date 94.51 94.5 Est Vol. (Inc. Rgs. not si Provious day's open int. There: SHORTH EMPROULLASIM points of 100% Date 96.47 96.4 Alan 96.12 96.1 Sep 95.13 95.6 Est Vol. (Inc. Rgs. not si Sept. not si	h Low Prev. 1 94.45 94.49 1 94.65 94.67 94.59 94.67 94.59 94.63 94.67 94.51 94.56 94.51 94.55 94.51 94.55 94.61 96.48 96.48 96.51 4 96.48 96.48 96.51 4 96.48 96.48 96.51 96.51 96.53 96.53 96.64 96.93	PARIS 7 to 10 Y December March December March
	1.7825   1.7825   1.7825   1.7825   1.7825   1.0473   1	1.9300   1992   224725   25472	60 - 19270 29 - 2817 45 - 52.55 45 - 52.55 40 - 94750 60 - 16570 60 - 16570 60 - 25675 60 - 200 60 60 - 25675 60 - 200 60 60 - 24320	0.27 - 27 - 27 - 27 - 27 - 27 - 27 - 27 -	95. 0684 105. 1 106. 55 165. 2 165. 2 165. 2 165. 2 179. 2 167. 2 167	1.53mm 2.78 1.30 1.55mm 1.30 1.55mm 1.30 1.55mm 1.30 1.30 1.30 1.30 1.30 1.30 1.30 1.30	A Estimated volunts 0 (0) Previous day's open int.  Three MORTH STEPLING CSUL000 points of 100% Dac 94.46 94.57 Jun 94.72 94.7 Jun 94.72 94.59 Dac 94.51 94.5 Est. Vol. (Inc. 98.1 par si Provious day's open int.  Three MORTH ESTIDUOLIAI Sim points of 100% Dac 96.47 96.4 Jun 96.12 96.1 Jun 96.12 96.1 Sep 95.41 96.4 Jun 96.12 96.1 Sep 95.81 95.83 Est. Vol. (Inc. figs. not at Previous day's open int.	h Low Prev. 1 94.45 94 49 1 94.65 94.67 94.67 94.69 94.67 94.67 94.67 94.67 94.67 94.67 94.67 94.67 94.67 94.67 94.67 94.67 94.67 94.67 96.48 96.48 96.51 96.44 96.45 96.44 96.51 96.44 96.45 96.45 96.44 96.45 96	PARIS  Ties 10 Y  December March Jure September
	1-7623	19300 1990 24752 25753 53. 99.750 199.65 10540 1.455 25.000 2.43 25.000 2.43	60 - 19270 50 - 19270 51 - 28175 53 - 28175 54 - 98750 60 - 18500 60 - 25000	027-027-027-027-027-027-027-027-027-027-	55. 0684  55. 144  56. 281  57. 165. 281  57	1.53mm 2.78 1.53mm 1.30 1.57mm 1.30 1.57mm 1.30 1.30 1.30 1.30 1.30 1.30 1.30 1.30	A Estimated volume 0 (0) Previous day's open int.  Tieres Month STEPLES ESSU,000 points of 100%  Dac 94.46 94.5  Mar 94.68 94.7  Jun 94.69 94.7  Jun 94.69 94.7  Jun 94.69 94.7  Jun 94.61 94.5  Sep 94.53 94.6  Previous day's open on septrovious day's open int.  THESE MONTH EMPORALE 96.1  Sep 95.83 95.6  Est. Vol. (Inc. figs. not septrovious day's open int.  THESE MONTH EMPORALE PRIVATE SERVICE STORY SERVICE SERV	h Low Prev. 1 94.45 94.49 1 94.65 94.67 94.59 9 94.63 94.67 94.51 9 94.63 94.67 9 94.63 94.67 1 94.65 94.68 1 100 Prev. 8 94.48 96.51 8 94.48 96.51 8 94.49 96.48 1 96.48 96.48 1 96.48 96.48	PACE 1.425 1.450 1.475 1.500 1.525 1.550 1
	1.7825	1.9300 1999 2.24752 2.94752 9.95 33.65 9.36 33.65 9.375 33.67 9.9750 1.85 2.9500 2.95 2.95	60 1 9270 50 1 19270 51 2517 51 525 52 2517 51 52 252 52 257 50 1 16570 50 1 16570 50 1 24320 50 1	0.27-0.27-0.00  10.16009	55. 0534  114. 553  106. 553  106. 553  106. 553  106. 195  107. 144  107. 144  108. 146  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  108. 108. 116  1	1.53mm 2.78 1.53mm 1.30 1.57mm 1.30 1.57mm 1.30 1.30 1.30 1.30 1.30 1.30 1.30 1.30	A Estimated volunts 0 (0) Previous day's open int.  Three MONTH STEPLING STOLLOG points of 100%  Dac 94.45 94.5  Mar 94.68 94.7  Jun 94.77 94.7  Sep 94.63 94.5  Dac 96.47 96.4  Alam 96.11 96.4  Jun 96.12 96.1  Sep 95.83 95.8  Previous day's open int.  THREE MONTH EIROBARK  DMI m points of 100%  Closs Hollogs  Previous day's open int.  THREE MONTH EIROBARK  DMI m points of 100%	h Low Prev. 1 94.45 94.45 94.55 94.65 94.67 94.57 94.67 96.48 96.48 96.48 96.48 96.48 96.48 96.48 96.48 96.48 96.48 96.48 96.48 96.49 96.4	PACE 1.450 1.450 1.450 1.500 1.500 1.550 Previous d Pre
	1.7825	1.9300 1.992 2.24725 2.24725 2.3475 3.655 53.6 9.9750 1.255 1.0540 1.455 2.25000 2.925 2.35 25.5 2.35 25.5 2.37 60 2.2327 10.955 12.345 12.3450 12.33 12.3450 12.33 12.355 13.0 12.355 13.	60 - 19270 60 - 19270 60 - 19270 75 - 28177 65 - 52.55 65 - 99.75 70 - 105:00 75 - 256:75 75 - 256:75 75 - 155:75 75 - 155:75 75 - 155:75 75 - 155:75 75 - 155:75 76 - 155:75 76 - 156:75	027-027-027-027-027-027-027-027-027-027-	55. 0534  114. 553  129. 554  129. 149. 149. 149. 149. 149. 149. 149. 14	130m   278   130	A Estimated volume 0 (0) Previous day's open ing.  Times Month STEPLESS COUNTY STEPLES COUNTY STEPLESS COUNTY	h Low Prev. 1 94.45 94.49 94.65 94.63 94.67 94.59 94.63 94.67 94.51 94.56 94.69 95.64 96.69 94.69 94.69 95.64 96.69 94.59 95.69 94.59 94.59 94.59 94.59 94.59 94.59 94.59 94.59 94.59 94.59 94.59 94.59 94.59 94.59 95.04	PACE MARCH M
	17023   1702	1.9300   1.930	60 - 19270 60 - 19270 60 - 19270 61 - 19270 62 - 2517 63 - 94750 60 - 19570 60 - 19570 60 - 19570 60 - 25675 60 - 200 20 60 - 2500 60 -	0.27 - 27 - 27 - 27 - 27 - 27 - 27 - 27 -	55. 0584  55. 1015  101 55. 1016  105 55. 1016  105 105 105  105 1	1.50m 2.78	A Estimated volunts 0 (0) Previous day's open int.  Three MORTH STEPLING CSULDED points of 100%  Date 94.45 94.57  Jun 94.72 94.7  Jun 94.72 94.7  Sep 94.51 94.5  Est Vol. (Inc. Rgs. not signed points of 100%  Close 94.51 95.4  Jun 95.12 96.4  Alar 95.41 96.4  Alar 95.41 96.4  Jun 96.12 96.12  Sep 93.83 95.80  Previous day's open int.  THREE MORTH EMBORARM  Det 93.84 93.84  Det 93.84 93.84  Lin points of 100%  Close High Previous day's open int.  THREE MORTH EMBORARM  Det 93.84 93.84  Jun 95.01 95.01  Close High Previous day's open int.  THREE MORTH EMBORARM  Det 93.84 93.84  Jun 95.01 95.01  Close 93.84 93.84  Jun 95.01 95.01  Sep 95.29 95.35	h Low Prev. 1 94.45 94 43 1 94.65 94.69 8 94.71 94.75 9 94.63 94.67 7 94.51 94.65 94.63 94.67 94.51 94.65 94.63 94.67 1 78.55 (178685) 1	PACE 1.450 1.450 1.450 1.500 1.525 1.500 1.525 1.550 Previous of P
	17023   1702	19300 1990 224725 254725 534 93750 1940 1255 25500 22500 22500 22500 213760 22525 25600 213760 22525 25600 213760 22525 25600 213760 22525 25600 213760 22525 25750 2575	60 - 19270 50 - 19270 51 - 2817 53 - 5215 54 - 98750 50 - 16570 50 - 16570 50 - 26675 50 - 26675 50 - 2600 51 - 2430 51 - 2430 50 - 121450 50 - 121450 50 - 121450 50 - 121450 50 - 121450 50 - 121450 51 - 12575	0.27-27-20-1  10.1-16049  10.1	55. 0534  114. 553  116. 553  126. 553  127. 204  127. 205  127. 204  127. 205  127. 204  127. 205  127. 204  127. 205  127. 2	1.53mm   2.78     1.53mm   1.30     1.57mm   1.57mm	A Estimated volume 0 (0) Previous day's open int.  Three MORTH STEPLES COULDED points of 100%  Dac 94.46 94.57  Jun 94.72 94.77  Jun 94.72 94.75  Sep 94.63 94.63 94.69  Dec 94.51 94.5  Est. Vol. (Inc. Rgs. not signification of 100%  Provious day's open int.  Three MORTH EMPROULLASIM points of 100%  Dec 96.47 96.4  Jun 96.12 96.11  Sep 95.83 95.69  Est. Vol. (Inc. Rgs. not signification of 100%  Line Step 95.83 95.60  Dec 93.84 93.88  Man 96.12 96.11  Sep 95.85 96.15  Dec 93.85 95.60  Dec 93.85 95.60  Dec 93.85 95.60  Dec 93.85 95.85  Dec 95.85  Dec 95.85  Dec 95.85  Dec 95.85  Dec 95.87	h Low Prev. 1 94.45 94 43 1 94.65 94.69 8 94.71 94.75 9 94.63 94.67 7 94.51 94.65 94.63 94.67 94.51 94.65 94.63 94.67 1 78.55 (178685) 1	PACE AND PECENDER PACE SOME PACE AND PECENDER PACE AND PA
	1.7623   1	19300 1990 224725 25675 53.6 93.750 19575 1255 53.6 10540 1.555 53.6 10540 1.555 53.6 10540 1.555 53.6 10540 1.555 53.6 10540 1.555 53.6 10540 1.555 53.6 10540 1.555 53.6 10540 1.555 53.6 10540 1.555 157 157 157 157 157 157 157 157 157	60 - 19270 60 - 19270 50 - 19275 50 - 19375 00 - 10570 00 - 10570 00 - 10570 00 - 10570 00 - 10570 00 - 10570 00 - 10570 00 - 10570 00 - 123670 00 - 1	0.27-0.27-0.00  12-16-0.00  13-16-0.00	55. 0634  101. 52. 0634  102. 52. 0634  103. 52. 0634  104. 105. 105. 105. 105. 105. 105. 105. 105	1.53mm 2.78	A Estimated volume 0 (0) Previous day's open int.  Times Month STEPLES SEQUED points of 100%  Cose High Place 94.46 94.5  Mar 94.68 94.7  Sep 94.83 94.6  Mar 94.68 94.7  Sep 94.83 94.6  Dac 94.51 94.7  Sep 94.83 94.6  Dac 94.51 94.6  Set Vol. (Inc. Rgs. not st Provious day's open int.  THREE MONTH EURODOULAISIN points of 100%  Close High Previous day's open int.  THREE MONTH EURODOULAISIN points day's open int.  THREE MONTH EURODOULAISIN points day's open int.  THREE MONTH EURODOULAISIN points day's open int.  THREE MONTH EURODOULAISIN 94.56  Sep 95.95 95.85  Sep 95.99 95.86  Est Vol. (Inc. Rgs. not st Provious day's open int.  THREE MONTH EURODOULAISIN 94.56  Sep 95.95 95.36  Sep 95.95 95.36  Sep 95.95 95.36  Estimated volume 71452  Previous day's open int.  THREE MONTH EURODOULAISIN 95.66  Estimated volume 71452  Previous Gay's open int.  THREE MONTH EURODOULAISIN 95.66  Estimated volume 71452  Previous Gay's open int.  THREE MONTH EURODOULAISIN 95.66  Estimated volume 71452  Previous Gay's open int.  THREE MONTH EURODOULAISIN 95.66  Estimated volume 71452  Previous Gay's open int.  Close 93.05 93.05 93.05	h Low Prev. 1 94.45 94 49 1 94.85 94.99 8 94.71 94.75 9 94.63 94.67 9 94.63 94.67 9 94.63 94.67 9 94.63 94.67 9 94.63 94.67 1 94.65 9 94.63 94.67 1 95.64 (28069) 375553 (375688) 1	PACE MARCH LIVE MARCH
	17023   1702	1.9300   1992   224725   24725	60 - 19270 60 - 19270 60 - 19270 61 - 19270 62 - 25673 63 - 94750 60 - 10570 60 - 10570 60 - 25673 60 - 2000 60 - 25673 60 - 2000 60 - 25673 60 - 2000 60 - 25673 60 - 2000 60 - 25673 60 -	0.27-0.27-0.00  10.21-0.07-0.05  10.21-0.05  1	155   053   053   131	1.53mm 2.78   1.30   1.	A Estimated volume 0 (0) Previous day's open inz.  Tieses Month STEPLES SOU,000 points of 100%  Cons. How 94.46 94.5 94.5 Mar. 94.68 94.7 94.7 94.7 94.7 94.7 94.7 94.7 94.7	h Low Prev. 1 94.45 94 43 1 94.85 94.45 94 43 1 94.85 94.71 94.75 9 94.63 94.63 94.63 94.63 94.63 94.63 94.63 94.63 94.63 94.63 94.63 94.63 94.63 96.45 96.4	PACE STORY OF TITON ON STAGE
	1.7623   1	1.9300   1992   224725   24725	60 - 19270 60 - 19270 60 - 19270 61 - 19270 62 - 25673 63 - 94750 60 - 10570 60 - 10570 60 - 25673 60 - 2000 60 - 25673 60 - 2000 60 - 25673 60 - 2000 60 - 25673 60 - 2000 60 - 25673 60 -	0.27-0.27-0.00  10.21-0.07-0.05  10.21-0.05  1	155   053   053   131	1.53mm 2.78   1.30   1.	A Estimated volunts 0 (0) Previous day's open int.  Three MORTH STEPLING CSULDED points of 100%  Dac 94.46 94.57  Jun 94.72 94.7  Jun 94.72 94.7  Jun 94.73 94.8  Dec 94.51 95.4  Dec 96.7 96.4  Alan 96.12 96.1  Sep 95.9  Dec 96.9  Dec 96	h Low Prev. 1 94.45 94.45 94.45 94.45 94.45 94.45 94.45 94.45 94.65 94.67 94.67 94.63 94.67 94.63 94.63 94.63 94.63 94.63 94.63 94.63 96.45 96.4	Price 1.425 1.450 1.450 1.500
	17023   1702	9300   1926   1936	60 1 9270 60 1 9270 7 25 2 2517 7 35 5 2 5 5 7 37 5 7 5 7 5 7 3 7 5 7 5 7 5 7 5 7 5 7 7 7 7 7 7 7 7 7 7	0.27-0.27-0.00  10.21-0.07-0.05  10.21-0.05  1	95. 0634 101 5.3 105 95. 106 5.3 105 95. 107 107 107 107 107 107 107 107 107 107	1.53mm 2.78   1.30   1.	A Estimated volume 0 (0) Previous day's open inz.  Tieres Month STEPLES SOU,000 points of 100%  Cons. How 94.46 94.57 Jun 94.69 94.77 Sop 94.63 94.69 Jun 94.72 94.75 Sop 94.63 94.69 Jun 94.77 Sop 94.63 94.69 Cons. How 96.74 Jun 96.74 Sop 94.63 94.69 Cons. How 96.74 Jun 96.74 Jun 96.74 Jun 96.74 Jun 96.72 Sop 98.87	h Low Prev. 1 94.45 94.45 94.45 94.45 94.45 94.45 94.45 94.45 94.67 96.48 96.48 96.48 96.48 96.49 96.4	Price 1.425 1.450 1.450 1.450 1.500 1.500 1.500 1.500 1.500 1.500 Previous of
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PO-SERVICE   1 DOCUMENTS OF PARTICULAR PROPERTY.	17023   1702	9300   1995   1995   1997	60 1 9270 50 1 9270 2 2817 45 - 51.55 51 - 93.75 50 - 1 95.75 50 - 1 9	### 1500   10   10   10   10   10   10   10	553 - 654 -	130m   276   130m   1	A Estimated volume 0 (0) Previous day's open int.  THREE MONTH STEPLING CSUL,000 points of 100%  Dac 94.46 94.57  Dac 94.46 94.57  Juni 94.72 94.7  Sep 94.63 94.54  Dac 94.61 94.57  Juni 94.77 94.7  Sep 94.63 94.64  Dac 94.61 94.51  Dac 94.61 94.51  Close Provious day's open int.  THREE MONTH EMBOUGLAN SIM points of 100%  Close 96.47 96.4  Jun 96.12 96.12  Sep 95.83 95.80  Previous day's open int.  THREE MONTH EMBORARK BMI in points of 100%  Close 93.84 93.85  Jun 95.01 95.35  Jun 95.01 95.35  Dac 93.36 93.55  Jun 95.01 95.35  Dac 93.36 93.55  Jun 95.01 95.35  Previous day's open int.  THREE MONTH EMBORARK BMI in points of 100%  Close 93.36 95.41  THREE MONTH EMBORARK PILES  Previous day's open int.  THREE MONTH EMBORARK PILES  Dec 91.32 91.37  Mar 92.41 92.42  PLAN 92.42  PL	## Low Prev.	Price 1.425 1.450 1.450 1.501 1.502 1.503 1.503 1.503 1.503 1.505 Previous of
TADABOBCAPHSLASH BOX CELEBROAS AND COLOR OF THE COLOR OF	1723   1724   1725   1724	9300   1990   1990   1990   19975	60 1 9270 50 1 9270 2 2817 45 - 51.55 51 - 93.75 50 - 1 95.75 50 - 1 9	2.73 mm 11 1600 mm 12 1600 mm 13 1600 mm 14 1600 mm 15 1600 mm 16 17 17 17 17 17 17 17 17 17 17 17 17 17	553: 053-053-053-053-053-053-053-053-053-053-	130m   276   130m   1	A Estimated volume 0 (0) Previous day's open int.  Three MONTH STEPLING CSULDED points of 100%  Dac 94.46 94.57  Jun 94.77 94.7  Jun 94.77 94.59  Dec 94.83 94.5  Est Vol. (Inc. Rg. not est provious day's open int.  Three MONTH ESTIMATION of 100%  Dec 96.47 96.4  Aun 96.12 96.1  Sep 96.13 96.1  Three MONTH ESTIMATION of 100%  Close 93.84 93.8  Previous day's open int.  THREE MONTH ESTIMATION of 100%  Close 93.85 93.57  Jun 96.01 96.01  THREE MONTH ESTIMATION of 100%  Close 93.05 93.13  Mar 93.83 93.85  For 96.07 96.06  Dec 93.05 93.13  Mar 94.31 94.35  Sep 96.47 96.45  Estimated volume 71452  Previous day's open int.  THREE MONTH ESTIMATION of 100%  Close 93.65 93.13  Mar 93.83 93.85  Sep 94.64 94.65  Estimated volume 2845 (Previous day's open int.  THREE MONTH ESTIMATION of 100%  Dec 93.67 96.07  Jun 96.31 96.35  Sep 96.43 96.45  Sep 96.43 96.45  Sep 96.47 96.07  Previous day's open int.  THREE MONTH ESTIMATION of 100%  Close Fight of 100%  Close Fight of 100%  Close 96.07 96.08  Jun 96.31 96.32  Sep 96.43 96.43  Sep 96.44 96.55  Sep 97.45 96.67  Fight Month ESTIMATION of 100%  Close Fight Mar 96.47  Previous day's open int.  Three MONTH ESTIMATION of 100%  Close Fight Mar 96.47  Previous day's open int.  Three MONTH ESTIMATION of 100%  Close Fight Mar 96.47  Sep 96.47 96.47  Sep 96.47 96.47  Sep 96.47  Sep 96.47  Sep 96.48 96.47	## Low Prev.	Price 1.425 1.450 1.450 1.450 1.500
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Narch 2137.0 2137.0 -30.0 Estimated volume 24,131 † Total Open Interest	2137.0 2137.0 - 12,067 69,619	Clydesdale Bank Flexible Selection Acc. 30 St November 1900, George Et 291, 1911-248, 7000
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In accordance with the provisions of the Notes, notica is hareby givan that for the six months period (181days) from 12th November 1993 to 12th May 1994, the Notes will carry intarest at the

rate of 313/16 per cent per annum. The interest paymant date will be 12th May 1994. Payment, which will amount to US\$191.68 per US\$10,000 Note and US\$958.42 per US\$50,000 Note, will be made against surrender of coupon No.17.

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Annousce with effect from 10th November 1993, Henderson TR Exempt European Fund has been merged following an approved Scheme of Amalgamation into Henderson European Exempt Trust

Holders of Henderson TR Exempt European Final income units will receive 8.045625 income units in Henderson European Enempt Trust for every income unit held. Holders of Henderson TR Exempt European Fund accumulation units will receive 8.265268 income units in Henderson European Exempt Taxa for every accumulation unit

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#### **MONEY MARKETS**

#### **Bundesbank cautious**

Money market rates across Europe remained stable after the Deutsche Bundesbank's latest round of securities repurchase agreements reaffirmed its return to a more cautious approach to interest-rate easing, writes Conner Middel-

The lowest accepted rate on the 14-day repo tranche slipped one basis point to 6.33 per cent and the minimum 28-day rate fell two basis points, also to 6.38 per cent. The bulk of twoweek bids was accepted at an unchanged 6.39 per cent while the bulk of four-week bids was taken at 6.39 per cent to 6.40

UK clearing bank base lending rate 6 per cent from Jenuary 26, 1993

The allocation resulted in a modest DM1.3hn liquidity injection and left German overnight money trading little changed around 6.45 per cent. "After their surprise rate cuts on October 21 they have slammed on the hrakes again, said a Frankfurt money market trader. Nevertheless, most traders are expecting another

cut in its leading interest rates in December. German short-term interest rate futures eased back slightly following the repo, with the December three month

point at 93.84 and the March contract down 0.04 point at 94.54 in late trading. The Sterling money market had another lacklustre day

FT-SE 100 DIDEX 520 per full index point

POUND - DOLLAR

FT FOREIGN EXCHANGE PATES

Dose High Low 3102.0 3130 0 3081.0 3119.0 3139.5 3112.0 3130.0

Estimated volume 14891 (14157) Previous day's open int. 66429 (86510)

\* Contracts traded on APT. Goding prices shows.

1-mit. 3-mit. 6-mit. 12-mit. 1.4727 1.4675 1.4614 14514

which left the short sterling futures contract drifting on moderate volume in a relatively narrow range. The December contract eased 0.03 point to 94.46. That indicates that the market is still discounting a %-point reduction in the base rate by 1/2 · point December, with most traders betting on a cut accompanying

the November 30 Budget. Meanwhile, the Bank of England forecast a £1.25bn shortage in the morning which was later revised upward to £1.3hn. It did not operate in the money market in the morning, but purchased bills totalling £779m in the afternoon. followed by £420m of late assistance.

The Bank's operations had little effect on money market rates, traders said. "The Bank's stance is broadly neutral right now and trying to glean monetary policy Indications from their day-to-day operations is mostly a pointless exercise," said a money trader, adding that this neutral strategy is likely to continue until closer to Budget day. However, "the Bank may get more aggressive if speculation becomes more Euromark contract down 0.03 feverish," he said.

The fiding rates are offered rates for S10 day. The banks are de Paris and Morgo	Automat Was	the market	ON THE TREET	ITCS DERKS I	11.00 a.m.	mach worldon
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NEW YORK			Treasury	Bills and B	ionds	
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8.12-6.16 5.12-6.18 2\3-2\1 67-9 8\2-9

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### Dow higher despite rising bond yields

#### Wali Street

US SHARE prices firmed in light trading yesterday morning, with blue-chip stocks especially strong, in spite of a rise in long-term bond yields, writes Patrick Harverson in New

At 1 pm, the Dow Jones Industrial Average was up 15.37 at 3,655.44. The more broadly based Standard & Poor's 500 was 2.05 higher at 462.38, while the Amex composite was down 0.52 at 475.50, and the Nasdaq comosite 4.18 higher at 774.02. Trading volume on the NYSE

was 163m shares by 1 pm. Prices struggled from the opening as rising bond yields unsettled market sentiment. The bond market was reacting to rising commodities prices and the latest news on inflation - a 0.4 per cent rise in the October producer prices index. Although the increase was

MEXICO was up 2.6 per cent at midday on optimism over the progress of Nafta. The IPC index was quoted 50.38 higher at 2,004.22.

In Brazil, equities had risen 6.5 per cent by midday on renewed bopes that the government would launch antiinflationary measures before the year-end. The Bovespa index gained 1,391 at 22,735.

broadly in line with analysts' forecasts, after Tuesday's much better-than-expected producer prices data, the stock and bond markats had been boping that the consumer prices figures would be equally

The increase in bond yields immediately fed through into lower equities, and investors were also troubled by a big jump in weekly unemployment insurance claims. The early losses, bowever, were not substantial, and smaller-company stocks actually started the day

ing the markets had recovered their poise, prices were inching higher across the board, and it was not long after midday that the Dow's gains hit double-fig-

Semiconductor companies were in demand on reports of strong demand for their products. Only last week the sector was hit by selling on concerns about sales. Texas Instruments added \$2% at \$102%, National Semiconductor firmed \$11/2 to \$17%, and Storage Technology added \$1% at \$28.

Paramount Communications fell \$1% to \$80% in busy trading after administrators handling the disposal of the business empire of Mr Robert Maxwell announced that his Macmilian publishing group would be sold to Paramount for just over \$1bn. Telefonos de Mexico rose \$2%

to \$53% as investors suggested that the chances of Nafta passing congress in a crucial vote ext week had been boosted by Tuesday night's televised debate between vice-president Al Gore and Nafta opponent Ross Perot.

Walt Disney eased \$1/4 to \$41 after tha announcing that it would help fund its Euro Disney subsidiary while exploring a possible financial restructur-ing of the troubled theme park.

#### Canada

TORONTO recouped early losses to gain slightly at midday on stronger precious metal and real estate stocks. The TSE-300 composite index was up 5.02 at 4,256.41 in turnover

**SOUTH AFRICA** JOHANNESBURG bad to

search for direction but indices ended the day higher: golds put on 13 at 1,900, industrials 23 at 4.539 and the overall 24 at 4,031. South African Breweries advanced RL50 to

## Hoechst loses premium after third quarter slide

INFLATION figures in the US cut less ice than they did on Tuesday, writes Our Markets

FRANKFURT lost Tuesday aftarnoon's gains, the DAX index closing 1.10 higher on the session at 2,028.84, and the lbts-indicated DAX falling from 2,040.74 to 3,020.11 at the postbourse close. Turnover rose from DM7.8bn to DM8.4bn.

Company results news was uninspiring or worse. Mr John Blackley of James Capel chose the first adjective to describe flat profits and dividend from Siemens, which ended the postbourse with its shares in similar condition at DM715. Capel reckoned that heavy

provisioning hit Hoechst, with the chemical company's pretax profits down by 40 per cent after nine months and worse in the September quarter. The shares fell DM5.50 to DM268.70, 60pfg higher than BASF - to which they stood at a DM41, or 20 per cent premium at the beginning of this year. Meanwhile, Asko's sensitivity to upcoming news was

reflected in a new 1998 high on

the sale of its stake in Adia,

problem with the theme park

group. The shares rose DM33 to DM991; the sale was predicted in March of this year, but the actuality meant that, for the German retailer, a potential liability was at an end.

PARIS lost virtually all of Tuesday's gains. It was influenced by a number of factors, including a 13 per cent fall in Euro Disney. The CAC-40 Index ended down 25.56 or 1.2 per cent at 2.087.38. Turnover was FFr3.6bn. The market will be closed today. Euro Disnsy was twice.

suspended, once before the

announcement of its FFr5.3hn

loss for the year ended September, and then when, on resumption, it went limit down at FFr37.40. The shares eventually closed off FFr5.70 at FF1:38.00. Mr Michael Woodcock, French analyst at Nikko Europe, commented that the

had more to do with poor turnover of paying customers than expenses. "The group has done all it can to reduce expenses. but it has failed so far to attract sufficient quality visi-

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tors who will spend," he said. The park has also proved to be far more seasonal that Disney ever thought, and compared with other theme parks it still remains expensive. The operation was faced with huge gearing and a need for massive restructuring, added Mr Woodcock, and it was going to be a long time before the shares attracted

investment support.

AMSTERDAM weakened,
largely on technically inspired trading related to selling of futures and options. The CBS Tendency index eased 1.8 or 1.3 per cent to 134.2.

Further negative reports regarding Alcazar, which involves negotiations between

by US investors, already. unnerved by the country's fragile political situation. The sell-off was sparked on Tuesday by the exclusion of italian companies from a possible link between AT&T and the German and French state telephone companies, a development which, yesterday, many analysis doubted would have

any negative impact in the

high volume of trading in the

shares indicated profit-taking

down Fl 1.20 to Fl 38.10. pedium term on Stet and Sip. Royal Dutch closed off Fi 240 Fiat, cutting December car output, shed L77 to L3,345 in to Fl 201.60 ahead of results volume of 9.4m shares followwhich are expected to be released today; Unilever went against the trend with a gain ing comments by Mr Glovanni Agnelli that recovery in Euroof 60 cents to F1 216.60. pean car demand could be MILAN derived little benefit delayed until the end of 1994. ZURICH continued higher from Senate approval of key although shares ended off their parts of the budget late on best levels with the market Tuesday. Shares were dragged lower again by further sharp falls in telecome stocks. unable to maintain the momentum seen on Tuesday. The Comit index gave up The SMI index, 30 points ahead 12.93 or 2.4 per cent to 538.45. Sip shed L100 or 3.2 per cent

during the morning, finished 15.0 higher at 2,742.1. Bearer shares in Adla, the temporary employment group, shed SFr1 to SFr173 as the company announced that Mr

Klaus Jacobs was buying the Adia stake held by Asko, the German retailer. However, the participation certificates surged SFr40 to SFr168 in response to news that they will be converted into bearers as part of a share simplification

Sulzer, the engineering group, eased SFr5 to SFr770 after a day's low of SFY764 in response to its forecast of steady profits but a fall in new orders. SMH dipped SFr6 to S67224 as the watchmaker said it had chosen an as yet unnamed car producer as a partner to build its environmentally friendly Swatchmobile city car.

MADRID's general index closed 1.12 higher at 300.66 in turnover of some Pta23bn. Trading was edgy, but Cepsa, the oils group, rose Pta25 to Pta2,410 on a 56 per cent rise in nine-month profits and Fecsa, the Catalan utility, put on Pta7 to Pta793 on Iberdrola's sale of a 4 per cent stake to Endesa.

Written and edited by William

#### **ASIA PACIFIC**

### Nikkei edges ahead as pressure on JR East subsides

#### Tokyo

AFTER AN early plunge through the 18,000 level, tha Nikkel average finally closed marginally higher after a day of fluctuations, writes Emiko Terazono in Tolajo.

Share prices moved on arbitrage activity, margin selling and index-linked buying by financial institutions before the 225-issue average ended 4.00 better at 18,121.7L The Nikkei saw a low of 17,618.28 in early trading on selling by arbitrageurs and

margin liquidation and a high of 18,227.92 later as a rise in the futures market triggered index-linked buying; but in the end, most of the gains were eroded by further selling. Volume rose to 395.1m shares from 315m. Declines led advances by 751 to 290, with

Topix index of all first section stocks shed 9.98 to 1,534.78 and, in London, the ISE/Nikkei 50 index lost 0.93 to 1,235.29.

Fears of a further plunge subsided as selling pressure on East Japan Railway receded. Traders said the stock has become an important benchmark for the market, and many investors still fear that a further fall could drag down other leading shares.

Mr Hirohisa Fujii, the finance minister, blamed the decline of equity prices on the recent spate of aluggish corporate results. He said the government was not considering injecting more public funds into the stock market to stimulate prices.

JR East closed unchanged at Y451,000 after initially falling to Y444,000. Nippon Telegraph and Telephone gained YL000 at Y756,000. Banks tumbled on

Bank of Japan fell Y30 to seas demand aimed at blue Y3,190 and Dai-Ichi Kangyo chips as the market refocused Bank Y60 to Y2.200. Margin selling dspressed Fujitsu by Y8 to Y801 and NEC by Y10 to Y893. However, Sumitomo Metal Mining, which had recently lost ground on margin-linked selling, ral-

hunting.
Housing issues were higher on firm condominium sales. Daiwa House Industry moved ahead Y30 to Y1,570 and Daikyo Y10 to Y1,060. In Osaka, the OSE average fell 137.21 to 20,164.03 in volume of 22.1m shares. The index declined on margin liquidation.

lied Y10 to Y839 on bargain

#### Roundup

THE FIRMER tone was mirrored in many of the region's HONG KONG surged 28 per cent on a late round of over-

its attention on political developments. The Hang Seng index moved forward 236.97 to 9,825.44 in turnover that reached HK\$5.8bm, compared

four European airlines on

forming an alliance, left KLM

to L3,004 in volume of 27.7m

shares while Stat fell L192 or

5.2 per cent to L3,507 in volume

with HK\$5.7mm on Tuesday. The late demand was attributed to expectations of positive news from last night's meeting in London between Governor Chris Patten and a British cabinet committee to map out a strategy for future Sino-British talks on Hong Kong's political reforms.

SINGAPORE's Straits Times Industrial index advanced 27.71, or 1,35 per cent, to 2,081.01 as institutional buyers and bargain hunters concentrated their attention on indexlinked stocks.

KARACHI was spurred higher by overseas demand on the view that Ms Benazir Bhutto, the prima minister,

reforms begun by Mr Moeen Qureshi, her predecessor, writes Farhan Bokhari. The KSE index rose 41.00, or

2.5 per cent, to 1,655.47, its highest level for 22 months. BANGKOK moved ahead 2.45 per cent on heavy demand for financial and property issues. The market index closed at the day's high, up 32.29 at 1,347.62.

TAIWAN finished firmar across the board on a technical rebound after five consecutive days of falls, and the weighted index recovared 18.97 to 4,191.41. A decline in turnover to a

moderate T\$23.49bn from the previous day's T\$27.78bn was attributed to growing caution ahead of local government elections on November 27. MANILA rallied after a four-

day correction, the composite index adding 27.8 at 2,367.87. KUALA LUMPUR was firm

will maintain economic after its recent volatility and the composite index appreci-NEW ZEALAND continued

to be weighed down by post election uncertainty and the NZSE-40 capital index dropped .76.82, or 3.7 per cent, to 2,013.76. AUSTRALIA drifted lower

for the seventh consecutive day in the absence of foreign buyers. The All Ordinaries index fell to 2,034.6 before closing a net 7.9 off at 2,042.9. Turnover totalled A\$382.9m. SEOUL was easier after a

volatile day, the composite index dipping 2.31 to 777.89. A Finance Ministry plan to allow some financial companies to raiss capital in the stock market sparked early strong demand for financial issues, but the activity came to an abrupt half when investors discovered that the plan excluded banking institutions.

### Sri Lanka soars on strong foreign buying

#### By John Pitt and Mervyu de Silva

bs Sri Lankan equity market has showed an impressive rise over the last week as foreign investors May, coincidentally around the time of the assassination of the president, Mr Ranasingbe Premadasa, and as neighbouring markets, such as Pakistan, were also showing signs of coming out of the

Since then the Colombo allshare Index bas climbed by more than 60 per cent and, as measured by the IFC, the market has gained nearly the same amount in dollar terms over the year to date. Foreign investors dominate

equity trading, accounting for between 40 and 60 per cent of daily average turnover, country has been sparked in the last week following a conference of overseas Insti-

			Dollar terms		L	ocal currency	
Market	No. of stocks	Nov 5 1993	% Change over week	% Change on Dec '92	Nov 5 1995	% Change over week	
Latin America							
Argentina	(11)	775.32	-5.6	+33.6	475,759.88	-5.6	+33.0
Brazil	(44)	213,52	+21	+70.B	53,822,938.05	+8.5	+2,480.9
Chile	(20)	458,92	-1.4	+8.7	758.73	-1.5	+18.
Colombia <sup>1</sup>	(8)	517.97	+0.5	+21.8	749.51	+0.2	+22.1
Mexico	(58)	765.41	-2.0	+13.2	1,027,13	-2.0	+13.1
Peru <sup>4</sup>	(7)	110,96	-6.5	+11.0	146.59	-6.1	+46.8
Venezuela <sup>3</sup>	(8)	568.92	-5.8	+9.5	1,299.88	-5.2	+39.2
East Asia	• • •						
South Korea*	(130)	104,68	+6.2	+6.5	111.27	+5.9	49.4
Philippines	(11)	239.43	+1.9	+79.3	334.85	+1.9	+107.1
Taiwan, China	(76)	87.90	+4.3	+19.1	87.32	+3.8	+25.2
South Asia							
india <sup>4</sup>	(61)	90.80	+0.4	~3.1	100.41	+0.4	+5.2
Indonesia <sup>7</sup>	(31)	103.40	+5.8	+78.2	118.04	+5.8	+79.5
Malaysia	(61)	272.15	B.G-	+66,4	256.97	B.G-	+62.8
Pakistan*	(8)	275.49	+2,8	+37.6	374.08	+2.6	+61.4
Sri Lamkar	(5)	155.09	+4.5	+55.1	186.22	+4.5	+66.2
Theiland	(52)	370.15	+2.7	+80.7	372.42	+2.7	+59.7
Euro/Mid East							
Greece	(17)	217.70	-3.1	+11.5	357.48	-2.4	+25.5
Jordan	(5)	164.34	-0.7	+40.7	235.64	-0.7	+42.1
Portugal	(16)	110.20	+0.4	+42.9	131.70	+0.5	+68.5
Turkey	(31)	174,71	+1.5	+181.3	1,083,81	8.1+	+296.7

helped by the peaceful transi-tion of political power follow-

ing the president's assassina-

dence in the market was tion. However, she comments

the flow of funds from over

seas was beginning to increase

around this period in any case.

#### FT-ACTUARIES WORLD INDICES

According to Susan Murphy,

member of Smith New

Court's emerging markets

team based in London, confi-

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Latest prices were unavailable for this edition. Spain (Madrid) closed November 9.

. Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		TUESDAY NOVEMBER 9 1963							MONDAY NOVEMBER 8 1998				200	LAR IND	ex	
Figures in perentheres show number of lines of stock	US Dollar Index	Day's Change %	Pound Starting Index	Yeri Index	DM	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Staring index	Yen Index	DM Index	Local Currency Index	1995 High	1993 Low	Year ago (approx)
Australia (89)	154.45	-0.8	155.93	105.68	136.11	153.88	-0.4	3.37	155.62	155.84	106.29	136.33	154.43	162.83	117.39	1121
Austria (17)	175.62	+0.2	177,30	120,17	154.76	153.86	+0.4	1.02	175.21	175.48	119.87	153,49	153.20	184.47	131.16	138.5
Belgium (42)	150.72	-0.7	152.18	103.12	132.81	134.55	+0.3	4.28	151.75	151,98	103.64	132.83	134.18	156,76	131,18	136.0
Canada (107)	134.38	+0.1	135.67	81.95	118.41	127.13	+0.9	2.63	134.26	134,45	91.69	117,61	126.00	134,38	111.41	114.8
Denmark (32)	239.14	-0.7	241.43	163.64	210.73	218.70	+0.1	1,03	240.89	241.23	164.53	211.02	218.43	241,06	185.11	193.4
Pinland (23)	121.26	-1.4	122,43	82,98	106.86	146.75	-0.8	0.71	122.35	123,12	83.98	107.71	148,07	128,99	65.50	70.5
France (98)	162.72	+0.3	164.28	111.34	143.38	150.85	+1.1	3.08	162.29	1 <b>82.51</b>	110.83	142.15	149.24	173,05	142.72	147.8
Germany (60)	130.25	-0.1	131.50	89.14	114.78	114.76	+0.5	1.85	130,33	130.51	69.02	114.17	114.17	136,13	101.59	104.56
Hong Kong (55)	368.11	-0.8	369.63	250,52	322.64	363.22	-0.9	3.01	368.40	368.92	251.91	322.74	365.A7	388,88	218.82	281.4
reland (14)	175.61	+0.5	177.29	120,18	154.75	177.19	+1.3	3.18	174.80	175.05	118.39	153.13	174.57	177.89	129.28	126.8
taly (70)	62.34	-3.8	62.94	42,65	54.63	77.09	-2.9	2.17	64.68	64.77	44.17	56.66	79.40	78.93	53.78	58.6
Japan (469)	144.00	-2.7	145.39	98.54	126.92	98.54	-2.5	0.83	147.94	148.15	101.05	129.52	101.06	165.91	100.75	100.8
Maleysia (69)	461.93	+1.4	466.36	316.07	407.05	453.83	+1.2	1.51	455.56	458.21	311.14	399.08	448.55	487.72	251.88	279.3
Mexico (19)		-2.0	1774.64	1202.78	1549,00	6056.78	-2.0	0.91	1794.32	1796.86	1225.53	1571.88	6180.72	1867.70	1410.30	1531.3
Netherland (26)	193.81	-0.1	195.87	132.61	170.79	168.33	+0.4	3.15	194.08	194.35	132.55	170.02	167.64	187.07	150.39	150.3
New Zealand (13)	63.12	+22	63.72	43.18	55,62	61.47	+2.0	3.69	81.75	81.84	42.18	54.10	60.28	68.38	40.58	38.2
Norway (23)	177.15	-0.1	178.85	121.22	156.12	177.51	+0.6	1.44	177.40	177.68	121.17	155.42	178.44	185.10	137.71	131.80
Singapore (39)	304.18	-0.7	307.11	208.15	268.05	223.30	-0.7	1.43	306.36	306.78	209.24	288.37	224.95	332.55	207.04	201.1
South Africa (60)	211.08	+4.1	213.08	144.42	185.99	202.29	-0.3	2.68	202.72	203.01	138.48	177,59	202.94	218.72	144.72	142.21
Carlo IIII	137.58	-0.6	138.90	94.15	121.24	141.65	+0.0	4.17	138.45	138.64	94.56	121.28	141.65	145.24	115.23	107.5
Spain (42)	198.77	-0.6	198.65	134.84	173.40	238.49	+0.2	1.42	198.02	198.30	135.25		238.11	208.92	149.70	
Sweden (36)												173.48				155.2
Switzerland (50)	146.74	+0.8	148.15	100.41	129,33	136.18	+1.6	1.59	145.81	145,62	99.46	127.58	134.01	148.18	108.91	107.8
United Kingdom (218)	184.35	-0.3	186.12	126.13	162.44	186.12	+0.5	3.84	184,90	185.18	126.27	181.96	185.18	193.97	162.00	183.4
USA (519)	187.42	+0.1	189.22	128.25	165,17	187.42	+0.1	2.75	187.30	187,56	127.93	164.08	187.30	191.58	175.38	172.6
Бигора (751)	156.53	-0.3	158.03	107.11	137,94	151.58	+0.5	2.98	156.94	157.17	107.18	137.49	150.85	162,97	133.82	132.4
Nordic (114)	187.63	-0.7	189.43	128.39	165,35	197.36	+0.0	1.24	188.99	189.25	129.08	165.58	197.27	194,54	142.13	143.70
Pacific Basin (714)	152.34	-2,3	153.80	104.25	134.25	106.23	-21	1.11	155.95	158.17	106.51	136.62	110.60	158.80	105,89	106.4
Euro-Pacific (1465)	153.97	-1.5	155.44	105.35	135.67	125.39	-1.1	1.90	156.25	158.47	106.71	136.87	125,72	152.86	117.26	116.9
North America (826)	184.11	+0.1	185.87	125,99	162.27	183.28	+0.1	2.75	163.98	184.24	125.69	161.20	183.09	187.68	171.51	169.0
urope Ex. UK (533)	138.43	-0.2	139.75	94.74	122.01	131.09	+0.5	2.44	138.77	138.97	94.80	121.59	130.48	143.73	112.51	113.6
Daniela Cui Innon 1945	232.94	-0.2	235.17	159.42	205.29	215.69	-0.2	2.74	233.48	233.81	159.49	204.56	216.03	245.12	152.70	150.7
			156.42													
Morld Ex. US (1651)	154.93	-1.3		106.02	136.53	127.75	-1.0	1.82	157.04	157.28	107-27	137.58	129,04	182.89	118,51	118.0
Morld Ex. UK (1952)	162.89	-0.9	164.45	111.46	143.55	142.35	-0.7	2.06	164.32	164.55	112.24	143.96	143.35	168.86	134,22	132.8
World Ex. So. At. (2110)	164.57	-0.8	168.15	112.62	145.03	145.77	-0.6	2.23	166.00	166.23	113.39	145.43	146.85	170.46	137.29	135.5
Morld Ex. Japan (1701)	177.54	+0.0	179.24	121.49	158.47	174.08	+0.2	2.81	177.81	177,86	121,32	155.61	173.75	181.67	157,47	155.07
The World Index (2170)	184.78	-0.8	168.36	112.76	145.22	146.27	-0.6	2.23	186.14	166.37	113.48	145.55	147.15	170.68	137.32	135.5

### VIEWPOINT

The Commerzbank report on German business and finance

#### Germany's current account: are deficits here to stay?

In the wake of unification, Germany's current account swung sharply from sur-plus into deficit. At the time, this greatly helped the country to accommodate the tremendous pent-up demand that existed in former East Germany. In any case, the external deficits were considered to be only temporary. However, Germany's current-account balance is now negative for the third year running, with no sign of

an improvement in 1994 either. Trade volumes are declining as a result of recession at home and abroad and at the same time the D-mark has appreciated sharply within the EMS. But these factors do not explain the persistence of the deficit. What has happened to Germany's economy? Are its external surpluses a thing of the past?

#### Unification takes its toll

Initially, Germany's post-unification import boom cushioned the cyclical downturn in Continental Europe. Purthermore, it was assumed that the surge in consumption would immediately be followed by a strengthening of the supply side. But iovestment in eastern Germany was delayed by unresolved ownership disputes and administrative problems. In addition, the Bundesbank was left to bear the full burden of keeping inflation in check, es the public-sector deficits soared and EMS governments refused to revalue the D-mark.

Yet the unfortunate combination of recession in Western Europe and the appreciation of the D-mark cannot fully explain why exports are declining. Although the structural deficiencies of the The deficit partly reflects structural shifts in the world economy."

German economy, such as high taxes and labor costs and also excessive regulation, have contributed to the problem, two other factors are now playing a prominent role.

For one thing, the increasing import-ance of multinationals in realizing efficiency gains throughout the world has helped to spur German foreign direct investment, which has risen to more than twice its mid-1980s level. Much of this investment has served to

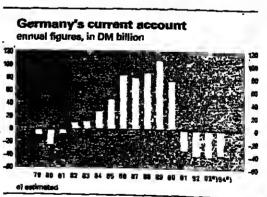
Another major change has been the substantial increase in the number of countries which offer technically sophisticated products. This has not only given a substantial boost to world trade but has also led to German exporters losing market shares.

reduce German exports.

Conventional models show that Germany's current account should return to surplus once the recession in Western Europe is over, domestic inflation is under control, and the D-

mark has depreciated in real terms. This is based on the assumption that Germany's deliveries abroad will expand roughly in line with its export markets and its imports will be tied to the growth of domestic demand. However, Germany's external position will remain in deficit for a number of years, as the two structural shifts described above and economic restructuring io eastern Germany will reduce export growth and fuel demand for imports.

In addition, the invisibles balance will deteriorate further. While the country's net foreign assets are declining, net investment income will fall and will not fully compensate for increasing net spending in other areas, such as travel and transfers to the EC. What is more, it will be several years before the German public deficits have been sufficiently trimmed. Consequently, the current account may well remain in deficit until



the turn of the century. Nonetheless, as long as inflation is firmly under control and the current-account deficit primarily reflects strong capital investment activity in Germany, it would be wrong to interpret this as an imbalance which needs to be tackled with the aid of policy

COMMERZBANK German know-how in global finance

